the Freeman

Ideas on Liberty

OCTOBER 1973

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Now available as an Arlington House book

★★★★★★★★★★★★★★★★

THE REBIRTH OF LIBERTY

by Clarence B. Carson

352 pages **$8.95**

as serialized earlier in **The Freeman** entitled

"The Founding of the American Republic."

For the first time, the founding of the American Republic is presented by a popular historian as one unfolding epic. Mr. Carson focuses not only on the English colonies and the American Revolution but also on the period of Confederation, the establishment of the Constitution and the early years of the Republic, when political parties and the judicial system were taking shape. Carson brings to life the important men of the era — George III, James Otis, George Grenville, John Dickinson, Thomas Jefferson, George Washington — some renowned, others not so well known.

The Rebirth of Liberty captures the sweep of a great era. Giants march across the pages, and we capture the vision of the men who conceived an empire for liberty.

Order from **The Foundation for Economic Education**
Irvington-on-Hudson, New York 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Freeman

VOL. 23, NO. 10 • OCTOBER 1973

Is Escape from the Poverty Trap Possible? — Bertel M. Sparks — 579
The blessings of freedom are possible to those not bound by the burdens and temptations of the welfare state.

The American Dream — John E. Nestler — 593
When principles give way to materialism, the dream becomes a nightmare.

Challenges of the Communications Explosion — Philip Lesly — 598
Examining new patterns in our human climate that challenge our stability and progress.

Appeal to the Intellect — Leonard E. Read — 609
If we would attract, we must appeal to the best, not the worst, in ourselves and in others.

Who Profits from East-West Trade? — Eugene Guccione — 612
The record of successful market exchange with socialists is very discouraging — to non-socialists.

The Market, or the Welfare State — Paul L. Poirot — 621
How the market and its money system serve especially the laboring poor.

Capitalism and Morality — Edward Coleson — 625
The bad reputation of the market economy cannot be justified from the record.

Book Reviews: — 634
"The Western Marxists" by Neil McInnes
"The Morals of Markets" by H. B. Acton
"Passing of the Modern Age" by John Lukacs

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

LEONARD E. READ *President*, Foundation for Economic Education

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.00 a year per person on the mailing list. Donations are invited in any amount—$5.00 to $10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1973, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for $1.00; 10 for $2.50; 25 or more, 20 cents each.

THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "Capitalism and Morality."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Is Escape from the Poverty Trap Possible?

BERTEL M. SPARKS

IN PRESENT-DAY America one cannot listen to either radio or television for long without being told about somebody being in a poverty trap. According to the usual script, not only is somebody *in* that unfortunate trap, but he is so *held* there that escape is impossible without outside help. And of course the viewer or listener is looked upon as an appropriate source for that help.

In so far as these commercials are expressions of sympathy and concern for the welfare of fellow human beings, they are to be commended. But the more thoughtful viewer or listener cannot avoid looking beyond the immediate emergency and inquiring into the meaning of the word "poverty" and the word "trap" and all the other trimmings and emotion-laden words that go with such pleas. He is moved to ask such questions as what is a poverty trap, who sets the trap, and why isn't the culprit arrested and brought to justice? Inquiries such as these might lead to some surprising embarrassments.

Webster defines a trap as, "Something by which or in which one is unsuspectingly caught, injured, [or] led astray. . . ." The same source defines poverty as, "Any deficiency in what is desired or desirable or in what constitutes adequacy." Maybe these two definitions can be put together to give some rational meaning to the expression, "poverty trap." When that is done, a poverty trap appears to be a condition of deficiency in which one is unsuspectingly caught. Like all efforts to reduce ideas or concepts to words, that definition is less than perfect. But it does set forth a framework within which one may at least consider the question, "Is escape from the poverty trap possible?"

Within that framework the ques-

Bertel M. Sparks is professor of Law at Duke University School of Law, Durham, North Carolina.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tion becomes, "Is it possible to escape from this condition of deficiency in which one is unsuspectingly caught?" Here again the thoughtful inquirer is likely to want further clarification. He will want to know what kind of deficiency or what kind of poverty. He will realize that there are such things as poverty of thought, poverty of soul, and many others, any one of which could occupy a lifetime of study. But it seems reasonably clear that the poverty being discussed in the ever-present radio and television commercials is economic poverty and that the deficiency is a deficiency of material well-being. Even within that limited context, poverty is still a relative term. It is a deficiency of what is desired or desirable. And what is desired by one person might be abhored by another. In a sense every human being is in poverty because no one has everything he desires. The unsatisfied desire, however, is itself desirable in that it is often the catalyst for increased production.

Relative Affluence

But these insatiable desires are not the things that come to mind when one is talking about an escape from the poverty trap. Some element other than desire alone must be considered. It is a known fact that material well-being is not evenly distributed. In one historical setting the general level of well-being is likely to be quite different from what it is in a different period. In any given society it might be substantially different from what it is in another society within the same historical period. And even within a society that is restricted and confined to one moment of time and to a very small area of the earth's surface, there are always some individuals who are blessed with far more of this world's goods than are other individuals. If escape from the poverty trap means anything at all, it must have something to do with movement from among the least well-to-do toward those on a higher plane in a material sense. With that understanding, the question, "Is escape from the poverty trap possible?", can be re-stated as follows: Can an individual caught on the lower levels of economic well-being move from that position toward the upper levels within his own society, and can one society which is presently on the lower levels of human existence move itself as a society toward the more affluent societies of the earth? There are at least two ways of approaching this question.

There is the philosophical approach and the experience approach. The philosophical approach usually means that the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

members of a group undertake to think about the problem, pool their individual opinions, and agree upon a common answer before any action is started. The weakness of this method is that it tends to ignore the lessons of experience. If the present generation were the only people ever to inhabit the earth and if every person now living had from the date of his birth to the present always been in the same relative position with regard to his material well-being, the philosophical process might possibly be a suitable way to begin. Rational thought honestly exercised might point the way toward a solution. But this absence of experience does not exist. The human race actually has a few thousand years of recorded history to examine and it might be worthwhile to look at the record. Have any societies or any individuals ever escaped from poverty, and, if they did, how did they do it? The best abstract thought of which the human mind is capable is likely to look pale against so much as a small segment of that record of experience.

An Early Example

If an under-developed country is needed as an exhibit for study, there could hardly be found a better example than the United States. Have a look at that nation's beginnings. See its inhabitants as a small band of foreigners on a rocky, unimproved, hostile shore where there were no houses, no factories, no drug stores, and not even any neon signs to brighten up the horizon. Were they in poverty? Was there a way of escape?

The known fact is that they did escape. Within a short time that unwelcome hoard of intruders had grown into one of the wealthiest nations on earth. Even before their first one-half century of nationhood had been completed, the country was characterized by a visiting Frenchman as being a land without paupers.[1] And by the 1970's it could be said that although they occupied only one-sixteenth of the land surface of the world and constituted only about one-fifteenth of the world's population, they were enjoying about three-fourths of the world's television sets and consuming about two-thirds of its petroleum products, one-half of its coffee, and two-thirds of its silk.[2] One wonders what the visiting Frenchman of the Nineteenth Century might say if he could pay a return visit. At the very least, an under-developed country did escape the

---

1 Tocqueville, DEMOCRACY IN AMERICA, Vol. I, 235 (Arlington House).

2 Opitz, *Our Disordered Lives*, 23 THE FREEMAN 399, 401 (July, 1973).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

poverty trap without the benefit of foreign aid.

The Key?

How did it happen? Why did people leave the older, the more developed and the more affluent nations of Europe in order to get here? What is more important, why was this the place and the time where there developed the highest level of material well-being the world has ever known? Why didn't that development take place somewhere else or at some other time? And before offering the easy response that it was our fabulous natural resources that made the difference, it is suggested that the reader first review his geography a little. This might lead to no small degree of wonder as to why the affluent society didn't develop in South America rather than North America. Why didn't it happen in Africa? Why didn't it happen in India? These questions cannot be answered or explained in terms of the presence or absence of natural resources. There has to be another reason.

Is it possible that there was something about the goals that brought the Seventeenth Century settlers to these shores that accounts for their unparalleled economic progress after they arrived? Most of them came here to escape oppression of one kind or another in the old country. Sometimes it was religious oppression; sometimes it was political oppression. In either event, that very oppression gave them a yearning for freedom that would not die. It was that yearning combined with a confidence in their own worth as persons that shaped their destiny and marked them as new creatures by the time they left the ships that brought them here. That confidence in their own worth as persons sometimes made Americans unattractive, both to the outside world and to each other; but it also gave them an unconquerable spirit which did not allow room for fear of the impossible. A search for the source of that confidence leads to the conclusion that it was, in no small degree, a product of their religious faith.

Throughout Tocqueville's writings on *American Democracy* he placed surprising emphasis on the extent to which religion was the driving force in the development of free institutions in this country. If that is true, even in part, it is fair to ask what kind of religion? It was a religious experience that was just emerging from the period of the reformation which had placed new emphasis upon the dignity and worth of each individual. The offspring of such an experience could no longer look to government as a source of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

either human rights or material well-being. They were too proud for that. They considered themselves endowed by a divine creator with certain inalienable rights which no human agency could either give or take away. That was their secret. With that confidence in individual worth and dignity, there could be no conflict between devout religious faith and the practical work essential to material progress. Even the ships on which these early settlers were transported to the New World were launched by profit-seeking joint stock companies. And they carried with them the dreams of the merchants seeking adventure and a new source of trade no less than the dreams of others seeking religious freedom.

A Nobility of Work

The settlers brought with them a new nobility. It was a nobility of work. They left countries where those of the upper social strata did not often work with their hands. They tended to remain aloof, to live in the better houses, and to depend upon others for most of their material support. Some of that sort were included among our early colonists. They identified themselves as "gentlemen." They usually defined gentlemen as men who abstained from physical labor. But whether they arrived in the rocky hills of New England or in the humid valleys of the Delaware and the James Rivers, they found that that philosophy didn't work. It was abhorrent to both the physical surroundings and the new doctrine that each individual was responsible for his own welfare. In a land where there were no homes, no machinery, no factories, and no roads, there was no room for one class to live at the expense of another. The force of necessity dictated that each man was entitled to all the fruits of his own labor and nothing more. A gentleman became one who could stand on his own feet, develop a trade, and earn his own living. He knew that he was not a worm to be trampled upon by some "upper class" but he also knew that he was not a god controlling the lives or the wills of other human beings. It became fashionable for gentlemen to till the soil and to get their hands dirty. That is the philosophy that laid the foundation for an industrial empire that was to become the number one wonder of the world. It was a philosophy within which escape from the poverty trap was not only possible; it was inevitable.

But that philosophy has not always prevailed. There have been departures. There were experiments with public relief through

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

communal living right at the outset in both Jamestown and Plymouth. Both experiments failed. Governor Thomas Dale soon discovered that "martial law did not grow corn" in Virginia and Governor Bradford later learned the same lesson in Plymouth. Governor Dale has been criticized for his apparently harsh edict that those who did not work could not eat. But those who do the criticizing have probably overlooked the fact that Governor Dale was simply quoting from the author of the famous essay on love of the Christian New Testament. St. Paul had offered the same rule of conduct to the citizens of Thessalonica centuries before.[3]

And why should such a rule have come from the pen of the same writer who could say that if you have not charity you are nothing?[4] Again it was an essential part of the dignity of the individual. It was recognizing an inherent human value in the labor of the man or woman who produced the food as well as in the pleasure of the one who was to eat it. Didn't the producers have dignity? Were they not entitled to the integrity of their own bodies? And did not that include the fruits of their own labor? There is a distinction between a voluntary act of compassion and being the victim of a forced taking.

A doctrine that everyone is entitled to the fruit of his own labor calls for a recognition of private property. And if private property is to ripen into specialization and division of labor, there must be freedom of exchange. But neither private property nor freedom of exchange are possible without limited government. There must be government to protect against intruders and that government must be limited to prevent the government itself from becoming an intruder. A limited government then is one that is strong within its proper sphere but is restricted in its power to venture beyond that sphere. The proper sphere includes such functions as maintaining order, enforcing contracts, and punishing dishonesty, cheating, stealing, and violence. It does not include dictating to individuals the kinds of employment in which they shall engage, the kinds of houses in which they shall live, or the prices they choose to place upon either their labor or its product.

Things Began to Happen

Once these principles were firmly established in the new country, the lack of material prosperity ceased to be a problem. As each human being set about to pursue

[3] II Thess. 3:10.
[4] I Cor. 13:2.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

his own safety, security, and happiness in his own way, things began to happen. Crude huts became comfortable homes, wilderness trails became highways, and impossible forests became fertile fields. A War of Independence was fought and won against odds that seemed impossible and which no amount of military logic can explain.

Even as the new country matured, additional settlers continued to arrive by the millions. The significant thing about these new settlers was that they were free people who were voluntarily leaving the older and more firmly established communities of Europe to move to a new and a strange land. The countries they left might have had tyrannical governments and the citizens themselves might have been an oppressed people, but they were free in that their choice to come here was of their own making. They chose to come even though the choice usually meant a sacrifice of a high order. It meant abandonment of friends, relatives, and a known way of life. It often meant giving up several years of hard-earned savings to pay for their transportation and for the privilege of arriving penniless in an unknown country. Why did they do it? Was it still the appeal of freedom that had tempted the first arrivals? Was it the attraction of the high level of economic prosperity which the fact of freedom generates? Can the two be separated?

No One Told Them

In any event they came to an under-developed country that hadn't been told it couldn't absorb under-developed people. They were received and they were absorbed and Nineteenth Century United States presented to the world the most fantastic industrial growth the world has ever witnessed. The fact that the American society as a society moved constantly upward toward higher and higher levels of economic well-being is too well known to require comment. As viewed from the Twentieth Century heights of comfort and luxury, that earlier period might appear less than ideal. But compared with what had gone before, the steadily improving quality of life dazzles the imagination. The dawn-to-dusk drudgery of the farm was being abandoned for the comparatively easier life of the ten- or even twelve-hour day of easier work, higher pay, and more comfortable living to be found in the cities. And that work day (unreasonably long by current standards but short by the standards of the era in which it was instituted) was gradually shortened as the invention of newer and better tools

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

multiplied and the resulting increase in the productive capacity of each worker made the shorter day possible. At the same time Cyrus McCormick, John Deere, and others were getting newer and better tools out to the farm to reduce the amount of labor required for the production of food there. Escape from the poverty trap, whether on the farm or at the factory, was commonplace. As better machinery and better tools were developed, the hours of human labor required to produce the necessities of life were constantly reduced. Time to produce luxury items and time to enjoy such items after they were produced were being realized. The poverty level, for those who might have thought in such terms, was continuously redefined upward; and with each new definition, a whole nation continued to rise above it. So rapid was the economic growth that the individuals on the very lowest level of material existence at any particular time were almost invariably abundantly affluent as compared with their counterparts of a decade earlier.

Mobility Within

Nor was the escape of a society from poverty the end of the story. There was constant movement of individuals within that society. The poorest did not remain at the bottom nor did the wealthiest remain at the top. The financial magnates at any given moment were often individuals who had begun their lives at the very bottom of the economic ladder and only occasionally were corporate presidents the inheritors of great wealth. It was a free society where free people were permitted to enjoy the fruit of their own labor. In such a society the only way one can benefit himself is by serving others. He must offer for sale goods or services which others want and for which others are willing to pay. And in such a society the route upward is necessarily open to all comers, the newly arriving immigrants no less than the American born. It was open to the newcomer who had nothing to offer except a willingness and a capacity to serve. Youth who were reaching adult years in the Appalachian hills without ever having owned a toothbrush or enjoyed a balanced diet for so much as a single day were migrating to the industrial centers of Ohio, Pennsylvania, and Michigan by the thousands to become affluent home owners and often the new managers of substantial business enterprises that were just being born. The "hopelessly deprived" of New York's lower east side who had never known any playground except a street were clawing their

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

way to the top of the financial world or becoming the major political figures of the Empire State. They were escaping the poverty trap – if there was one.

Andrew Carnegie

A Scottish immigrant family that arrived in 1848 included a thirteen-year-old boy who was deprived of a high school education when it became necessary for him to take a job as a bobbin boy in a cotton factory in order to help support the family. Even with that handicap, he found a way to go to night school, learned certain secretarial skills, became a telegraph operator, and from there moved to a job as secretary to the president of the Pennsylvania Railroad. That would seem to be enough for one of such humble origins. But it was not enough for Andrew Carnegie. He soon found himself superintendent of the railroad's Western division, eventually entered the steel business, and became the founder of United States Steel Corporation. The miracle of the free market was being demonstrated. The rise of one man was giving the nation an improved product at a lower cost and supplying the needed foundation for numerous allied industries ranging all the way from railroads and automobiles to tableware and garden tools. At the same time millions were being employed at wages undreamed of a generation earlier.

But the skeptic still asks, can it be done in a mature industrial society? Can it be done where industrial empires are already well established and the magnates of great wealth are already secure in their positions? The logical answer is that in a free society there is no such thing as financial security. The wealthy can remain wealthy only so long as their fortunes are wisely invested in the production of goods other citizens want. But an even better answer is, look at the record. Fortunes have continued to rise from the least promising beginnings.

Lena Himmelstein

Who would have anticipated that the sixteen-year-old Russian immigrant named Lena Himmelstein who debarked in New York in 1896 would ever be more than a burden to her newly adopted land? Orphaned as a baby in Lithuania, she was not excessively educated and did not speak English. Her passage to the United States had been paid for by relatives who were already here and who anticipated her becoming the bride of their son. When Lena met the prospective groom, she abandoned that idea rather hurriedly. She found a job in the garment indus-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

try where she began at $1 per week. Four years later she had left her job, had become a bride, then a mother, and then a widow with a son less than one year of age. Her prospects did not look good. Her maternal obligations made return to her old job out of the question. Tax-supported day care centers had not been invented. She remembered that in the garment industry she had learned to sew. She pawned a pair of earrings, the only item of value she had from her deceased husband, made a down payment on a sewing machine, and began taking in contract jobs as she could get them at her small New York apartment. Much of her sewing in those days was done with her infant son on her knee. But she did earn a living and by the time of her death in 1951 her venture had grown into a multi-million dollar industry with a chain of retail outlets extending throughout most of the United States. Lena Himmelstein is known to the clothing trade as Lane Bryant. She escaped from the poverty trap.

Tom Murray

But is the escape route still open in the final half of the Twentieth Century? It was open to Tom Murray when he arrived in this country as an Irish immigrant just one year before Lena Himmelstein's death. It was his luck to find a job as a bellboy in a Detroit hotel where he soon found himself manager of the same establishment. The hotel business was enough for Tom until he read an announcement from the United States Postmaster General that junk mail and third-class mail were dragging down postal income to such an extent that rates for these classes would have to be increased by one-third. He had doubts as to whether such an increase was really necessary and he couldn't help wondering what might happen if a private industry suddenly announced a thirty-three per cent price increase. How many Representatives and Senators would hurt themselves falling over each other to see which one would become chairman of the appropriate investigating committee? A little private investigating by Tom revealed that while the United States Government maintained a monopoly on the delivery of first-class mail, the third-class and junk varieties were open to private competition if anyone chose to enter the field. With $500 in borrowed capital, Tom entered in February, 1968. He delivered the mail at only 60% of the Federal rate, made a profit, and in 1971 grossed $10,000,000 and was still expanding as rapidly as new delivery machinery could be put

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

into place. He was also reaching out for contracts in foreign countries and was saying that he would not be satisfied until he was delivering third-class and junk mail to Moscow.[5] He just might do it.

Tom Murray rose above the poverty level. Hundreds of others are still doing the same thing every year. But Tom and others of his generation are encountering difficulties not faced by those of the Nineteenth Century. Government regulations have multiplied. New infringements on personal freedom have appeared on the American scene. Governmentally imposed restraints on the release of creative human energy are providing the real substance of whatever poverty trap exists for either the society as a whole or the individual within that society. As one speculates and wonders about the future of America, he might do well to speculate and wonder about what might have happened if present-day restraints had prevailed in the Nineteenth and early Twentieth Centuries.

What would Lena Himmelstein have done if, as a widowed mother, she had been given an apartment in a public housing project and had been told that if her income rose above a certain level, she would have to vacate? As her income approached that level, would she have dared the risk of allowing herself to earn too much? Indomitable little woman that she was, she might have accepted the challenge. And she might not. Even if she had, what would she have done if, when preparing to hire that first employee, she had learned that on each payday she would be compelled to withhold two different kinds of taxes from the employee's wages and hand both sums over to the Federal government for whom she would also be required to keep accurate financial records available for official inspection? Would that have been too much for a foreign-born, "disadvantaged" person who was too timid to ask for a correction in the spelling of her own name when a bank clerk made a mistake?[6] Questions such as these tend to suggest that the poverty trap has tightened considerably since Lena Himmelstein got her start.

And what choice might Andrew

[5] For more information on the Post Office and certain other related problems see Crane, *What's Going On?*, 1 IMPRIMIS 1-4 (No. 2, July, 1972, Hillsdale College).

[6] The name of the young widow's deceased husband was David Bryant. When she was ready to open her first bank account, she found the bank's marble lobby a bit awesome for one of her humility. Apparently her hand shook as she signed the deposit slip. The bank clerk misread it as "Lane" and opened the account in that form. Rather than complain about the error, she allowed her business name to remain Lane Bryant.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Carnegie have made if movement from bobbin boy to telegraph operator had brought with it a sufficient increase in pay to terminate the receipt of food stamps by the family his income was helping support? Could he have afforded the transition? Would he have been willing to receive an income that would, not only terminate welfare benefits for his family, but would just barely bring him into the category of those paying taxes to help support his contemporaries who were content to remain bobbin boys? These are questions that must be faced by the prospective Andrew Carnegies and Lena Himmelsteins of the Twentieth Century. And they are not easy. They are stultifying, discouraging questions for all who are close to that hairline division between the recipients of tax-supported benefits and those who are called upon to supply the benefits. Only those who have been critically close to one side or the other of that line can grasp the full meaning of the risk involved in its crossing. Those who are only slightly above the line are strongly tempted to give up the struggle as they see their neighbors on the other side who are avoiding all economic responsibility and still living on substantially the same level as the workers. And those below the line find that the very laws that are designed for their benefit have become the binding cords holding them down. They are being dared to even try to improve themselves.

Never Say Die

When an individual accepts defeat in his efforts to improve himself, not only does he lose his dignity as a human being, but society itself is deprived of the potential value of that individual as a producer. Likewise, the individual who remains a producer, although from purely selfish motives, cannot help benefiting the society in which he lives. Whether it is Andrew Carnegie, Lena Himmelstein, Tom Murray, or any one of hundreds of others who could be named, their personal triumphs over poverty do not tell the whole story. The significant part of the story is that as they helped themselves, they carried thousands or even millions along with them into areas of improved standards of living for all. In a free society it cannot be otherwise. Let it be repeated that the harsh rule of the free market is that no one can serve himself without serving others. That service manifests itself both in an increase in the supply of goods and in better incomes for the personnel participating in the production. The entrepreneur can increase in wealth

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

only when he provides a good or a service others want at a price they are willing to pay. As he does that, more goods and services are produced and more workers are needed. Every new machine that can take over tasks previously performed by human labor creates new demands for still newer products that will provide greater comfort or leisure or will relieve some form of human drudgery or suffering.

Increasing Obstacles

Escape from the poverty trap is still possible. The experience of Tom Murray demonstrates that. But it is not easy; it never has been. If it is more difficult now than it was in an earlier day, it might be wise to ask what things have changed. The most significant change appears to be a constant increase in governmentally imposed restraints on the release of creative human energy. The fact that the substance of poverty is a scarcity of goods is all but forgotten. Whether it is the Square Deal, the New Freedom, the New Deal, the Fair Deal, the New Federalism, the New Frontier, the Great Society, or the New Republicanism, the central theme seems to be an attack on the producer. In this attack the identity of the producer has been ignored. He has been assumed to be a person of great wealth. Sometimes he is. More often he is one with a potential for becoming wealthy if allowed the freedom to produce the goods and services other people want. Quite often he is the farmer of modest means in the Appalachian hill country who is still trying to grow corn while paying taxes to provide payments to his neighbor who has already given up the struggle and put his land into the soil bank. He is the coal miner who, when his mine closed, moved a short distance to an industrial city where he could get a job in order to pay taxes to provide welfare benefits for his fellow miner who elected not to move. He is the janitor in a New York City apartment house who has been offered a job as building superintendent but knows that if he accepts the promotion he will lose his own claim to live in subsidized housing provided by taxpayers for "low income" families. He is a college student who spends his summer as a laborer with a construction crew and then returns to college to find that his tuition has been increased in order to provide a scholarship for his fellow student who chose to spend the summer on a pleasure cruise in the Mediterranean and is now broke. He is the independent grocer on Bleecker Street who felt so oppressed by the extensive busi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ness records he was compelled to maintain for the Internal Revenue Service that he chose to close his store and take a job as cashier in a dime store on Sixth Avenue. He is the Texas poultry farmer who felt compelled to destroy 20,000 baby chickens when a government regulation told him he would not be permitted to sell them as broilers at a price sufficient to cover the cost of feeding them.

Somewhere among these producers there just might be found a dollar-per-week employee in the garment industry who has the potential for introducing a whole new concept in ladies garments, a bobbin boy who will one day be a builder of heavy industry, or a bellboy who has dreams of operating an international mail service. Why penalize these people? And why penalize a whole society by depriving it of the goods that might otherwise be produced? If citizens are being held in a "poverty trap," that is to say, in a condition of deficiency in which they are unsuspectingly caught, why not loosen the condition and allow them to escape? And if the "condition" happens to be a maze of laws and regulations which, although designed to help the entrapped persons, actually operates to their detriment, maybe just identifying the trap will hasten their release.

IDEAS ON LIBERTY

Emotion vs. Reason

PEOPLE who would be among the first to deny that prosperity could be brought about by artificially boosting prices, people who would be among the first to point out that minimum price laws might be most harmful to the very industries they were designed to help, will nevertheless advocate minimum wage laws, and denounce opponents of them, without misgivings.

HENRY HAZLITT, *Economics in One Lesson*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

JOHN E. NESTLER

The American Dream

THE AMERICAN DREAM. The term has a nice ring to it, doesn't it? At one time, people were proud to believe in it, Horatio Alger was a national hero, Europeans dreamed of the day when they could migrate to the land of opportunity. But now the American Dream is no longer a subject of admiration. Instead, the use of the term is confined to satiric remarks, those who believe in it are considered naive, and to be proud of it is proof of romantic sentimentality.

I believe this change to be due to a metamorphosis of the American Dream itself – this as a result of a change in the American mentality.

A few decades ago, the American Dream was synonymous with opportunity: opportunity to endeavor after "life, liberty, and the pursuit of happiness." This opportunity was social, economic, and spiritual. As I well know from my own family, Hungarian refugees who immigrated after World War II, America was seen as the land where you could make a decent living by the sweat of your brow, where no one would tell you how and for whom to vote, and where your religious and moral beliefs could enjoy open profession.

It was precisely for this reason that Friedrich von Gentz, the eighteenth-century German philosopher, in his pamphlet comparing the French and American revolutions, granted the American Revolution validity, but not the French.[1] The American Revolu-

Mr. Nestler is a pre-med student at Haverford College, Pennsylvania, majoring in Chemistry and German, but much interested in politics and philosophy.

[1] See Friedrich von Gentz's *Uber den Ursprung und Charakter des Krieges gegen die franzosische Revolution* and other works.

Stefan Possony has added an appendix to Gentz's work in which he also compares the Russian Revolution to those of America and France. He concludes that the Russian Revolution was invalid for the same reason the French Revolution was invalid – it did not dispel the evils it arose against, it merely substituted new evils.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tion succeeded in replacing tyranny with a free and moral system of government. The French Revolution merely followed the path of previous revolutions which, as Bernard Shaw observed, "have never lightened the burden of tyranny; they have only shifted it to another shoulder."

Caution!

I do not know whether I would have supported the American Revolution. Being a traditionalist, I would have been cautious and wary of sudden change; but, then, so were the signers of the Declaration of Independence. Few of them truly welcomed the revolution – the Thomas Paines were the exception, not the rule.

But I like to think that I would have possessed the discerning eye of an Edmund Burke, who, as had Gentz, forcefully denounced the French Revolution but gave his fullfledged support to the American Revolution. The cries of "laissez-faire" which resounded when Frenchmen stormed the Bastille found a home, not in France, but across the ocean.

The American Dream was imbued with the concept of the individual: each man would reap the fruits of his own labor. America was the land of the rugged individual, who carved out his life with his own hands and accounted to no one but himself for his failures. This is not to say that America was regarded as a land of permissiveness; to the contrary, only a blunt mind would equate freedom with license. Rather, America was regarded as the personification of those ideals of freedom which lay in the hearts of most men.

Today, In Contrast

Let us compare this view of the American Dream with that of today. Whereas the American Dream was once equated with certain principles of freedom, it is now equated with things. The American Dream has undergone a metamorphosis from principles to materialism.

Decades ago, a man would have said he wanted a day's wages for a day's work. Wasn't that materialism? No, because what was being emphasized was that each man, as a free and individual agent, has the right to as much as the market will pay for his efforts. Today, a man would say merely that he has a right to live comfortably; the fact that comfort must be earned is ignored; the question of whether the person is deserving of comfort never arises.

I am reminded of the welfare recipient on the *David Susskind Show* a few years ago, who demanded that she receive a more substantial Christmas welfare bonus. When asked why she held this

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

opinion, she replied: "Because I have a right to a color T.V. set and things like other people. I am a human being, too, you know." This attitude has permeated our society: things are what is important, principles are not.

When people are concerned more with the attainment of things than with the maintenance of principles, it is a sign of moral decay. And it is through such decay that loss of freedom occurs.

This metamorphosis of the human spirit did not come about unforeseen. Although he was not writing specifically about America, Jose Ortega y Gasset, in his *The Revolt of the Masses,* clearly delineated the process by which the individual would eventually be sacrificed to the mass-man; the mass-man thereby destroying that which made possible his very existence.

> In the disturbances caused by scarcity of food, the mob goes in search of bread, and the means it employs is generally to wreck the bakeries. This may serve as symbol of the attitude adopted, on a greater and more complicated scale, by the masses today toward the civilization by which they are supported.[2]

Respect for the rights of the individual has been the foundation for America's greatness; it was the reason for the immigration to America from all around the world. It is precisely this respect which has deteriorated as a result of the efforts of the mass-man in America, this laying the groundwork for a totalitarian welfare state.

The fact that individualism was once revered and welfare abhorred does not mean that people were heartless and unconcerned about one another – this being the picture most often presented by our liberal media. In fact, there were more private charitable organizations *before* the advent of the welfare state than since. A more personal concern existed among men, because an individual was *free* to aid another individual if he *wished* to. That was charity in the true Christian sense.

No Longer by Choice

Nowadays, we are *forced* to contribute to the welfare of others, whether we wish to or not, whether others are deserving or not. That is said to be true humanity. But, assuming for the moment that it is humane to aid others (which, of course, does not hold true for the indiscriminate distribution of aid), is a person humane or virtuous if he so acts only when forced at gun-point? Obviously not. Yet, that is the welfare state we "philosophically" admire, the one

[2] Jose Ortega y Gasset, *The Revolt of the Masses,* (W. W. Norton & Co.. Inc.), 1932, p. 60.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that *coerces* every individual to sacrifice his own interests and indiscriminately aid others. It is not charity I oppose, but robbery.

Let me try to make my position clear. I do believe in the viability of the free market and in the right of men to govern themselves, but I do not believe every man always is moral or that the free market would solve all human ills. Freedom entails responsibilities, and too few of us are willing to assume responsibility. Fortunately, tradition forms the basis for laws and provides us with guidelines, although imperfect, on what is correct human conduct.

For example, I will defend any man's right to express his opinions, but I will not allow anyone to utter obscenities to my sister. I would call on the police to apprehend such an individual. I believe there is a difference between right and wrong, and defend or excuse no man's persistence in the latter.

Such problems as what is meant by freedom of speech do not disturb me. As a conservative, I view human nature as tainted, prone to error. In fact, too often have I seen libertarianism used as an excuse for libertinism. Therefore, I disagree with those who offer unlimited and unprincipled liberty as the ultimate solution, for I view such a belief as Utopianism. No system can compensate for man's inherent defects.

The Totalitarian State

A recent article by Erik von Kuehnelt-Leddihn in *National Review*[3] points out, for example, that what "Hitler aimed at was 'a century of the common man' in the sense in which Henry A. Wallace used the term in the 1940s." Here we may substitute mass-man for common man — a frequent misuse of terms. Hitler implemented this plan not through a military coup but through "Germanic democracy."

The totalitarian welfare state is emerging in America, through democratic means, just as it emerged in Hitler Germany. The individual is no longer sacrosanct, and Ortega's prediction of the sacrifice of the individual to the mass-man seems more realistic every day.

National Socialism and Communism are alike in that both systems are socialistic; that is, both systems regard the individual as a pawn for manipulation for "the greater good of the community." It was this concept of socialism that was responsible for Tocqueville's vision of the coming of "democratic totalitarianism."

[3] Erik von Kuehnelt-Leddihn, "From the Continent" in *National Review*, July 20, 1973, p. 790.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

America has *already* changed, and this change is noticeable in the metamorphosis of the American Dream. The individual's free will is reduced by taking away the opportunities for exercising individual and voluntary decisions. This is immoral, and contrary to Christian precepts.

This change is not causeless – it is the result of moral deterioration, of the mass-man's turning the concepts of good and evil to his own purpose. The mass-man prefers materialism over principles, and the American Dream reflects the efforts to enforce this preference.

Yet, we must not despair, the situation is far from hopeless. The solution is to assert the old principles, our concepts of right and wrong, our belief in the inalienable freedom and liberty of the individual. Then, the American Dream will regain its former identity, and America will remain the best of all possible lands, admired by all the world. But this will come about only with the active participation of us all, and by the grace of God.

IDEAS ON LIBERTY

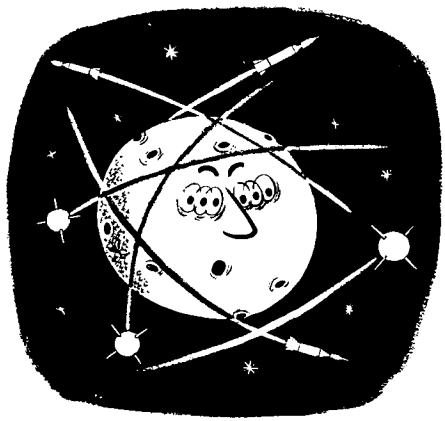
Crowd Culture

BY THE MERE FACT that he forms part of an organized crowd, a man descends several rungs in the ladder of civilization. Isolated, he may be a cultivated individual; in a crowd, he is a barbarian – that is, a creature acting by instinct. He possesses the spontaneity, the violence, the ferocity, and also the enthusiasm and heroism of primitive beings, whom he further tends to resemble by the facility with which he allows himself to be impressed by words and images – which would be entirely without action on each of the isolated individuals composing the crowd – and to be induced to commit acts contrary to his most obvious interests and his best-known habits. An individual in a crowd is a grain of sand amid other grains of sand, which the wind stirs up at will.

GUSTAVE LE BON, *The Crowd*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Challenges of the Communications Explosion



PHILIP LESLY

ALMOST EVERYONE is aware that there has been an explosion of communications in recent years. But while billions have been spent exploring outer space, the invisible virus and the ocean bottom, little perceptive study has been given to what that communications explosion has meant to the institutions that are the living tissues of civilization.

Almost all the premises and practices for dealing with the human climate have been transformed in the past few years. So it seems pertinent to ask, What are some of the new patterns in our human climate that challenge our stability and progress?

• Our population is now segmented in many ways. It is divided almost evenly between those who have been trained through written media and those who are visually oriented. It is fragmented by the growing specialization in all career fields. It is split between those who seek achievement and those who seek escape. It is segmented between white and colored, between the affluent and the poor, between the educated effete and the hard hat ethnics, and, yes, between men and women.

• Rather than finding conflict an occasional aberration to be overcome, now antagonisms are built into our society and are permanent.

• Almost unnoticed, the liberal ethic that insists on maintaining the innocence of any *individual* until he has been proven guilty is also insisting that every *organization* must be presumed guilty un-

Philip Lesly, president of The Philip Lesly Company, Chicago, is a leading public relations counsel and an authority on public relations and public affairs. Outstanding among his several publications is *Lesly's Public Relations Handbook* (Prentice Hall, 1971).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

til it has proved its innocence.

• We have a whole mosaic of new life styles, new values, divergent morals and a wide spectrum of viewpoints on all questions. Where one or two elements in our equation used to be changing at any time, now virtually all the factors are changing at the same time and affecting each other even as they change.

Where our concept of purpose used to be one-dimensional, we now must recognize that nothing can succeed except through the systems approach of coordinating many simultaneous factors.

The old wisdom that when we seek to communicate with the public we must try to lead our target becomes banal when it is not only difficult to tell the course of the target but even what the target will be the next time we look.

We must see the full mosaic of the world we must cope with . . . recognize that events follow a chain reaction . . . and realize that the important move – the one that will really determine the results of our communications efforts – is the move after the move after this one. As in chess, the amateur sees one move at a time; the master is planning many moves ahead.

• Our people have come to take for granted the massive multiplication of results made possible by computers and automation in routine paper work and factories. Now they have transferred these expectations of mass results to fields where *human* factors, that cannot be multiplied, are involved, such as in education and health care.

• We now have a majority of our population that has not developed an immunity to frustration, as all previous generations did, by having to face severe restrictions on its dreams and aspirations almost from birth. Millions grow to adulthood before they encounter the frustrating reality of a world that, until a generation ago, contained far more frustrations of desires than fulfillments. So when they faced restrictions on their urges and dreams of Utopia, they lashed out at whatever symbol seemed to stand in their way – parents, college presidents, the government, or "the establishment." It is not a coincidence that the cooling off of the violence and anarchism coincided with the recent recession, as well as with the winding down of the war in Vietnam. For the first time the reality of limits imposed by the world became clear to millions of people. But the conditions that created the aggressiveness are still

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

present and could break out in some new direction at any time.

• Millions of people have now been educated to think they should have a *special* role in our society. Colleges have been holding out degrees as the key to freedom from routine roles in life and as the marks of leadership . . . even while they propound the doctrine of equality for everyone. Only a few can find the kind of influence that they were led to expect, and are disillusioned when the world does not bow to their wisdom.

Those who have been led to expect great things then seek to justify themselves. They have the time, the inclination and the opportunity to attack the structure they feel is unfair to them. It is ironic that the increased leisure and affluence that the system makes available enables them to increase their attacks on the system.

• As a result, we are creating . . . as a by-product of the development of our people far more rapidly than the society can absorb their expectations . . . a many-pronged assault on our social structure. We now have many groups whose primary outlook on life is to force major changes. Among the media, in our colleges, among social workers, many government agencies and other groups, it is presumed that the member's worth will be measured by how much he can poke holes in the way things have been. In these areas, one often is assumed to be a failure if he or she merely contributes to the stability of our system.

Another strong trend arising out of the widespread free time and affluence now available is the sharp and *varied* changes in life styles. It is another irony that one of the great charges against our system is that it reduces each person's ability to fulfill himself as an individual . . . and yet almost everyone now has far more choices for what he does with his life and how he spends a major part of his time than most people have ever had. The great diversity of life styles – ranging from devout fundamentalist religion to pure Communism in remote living centers – further fragments the purposefulness and cohesion of our society.

The impetus for most of the changing currents has come from our youth. Although we cannot predict what the new pressures of youth will be, we can be reasonably sure they will not be the same as they are today or have been. The focus of youth agitation has shifted approximately every two years since 1960: From activ-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ism for Negroes to freedom from authority to the Vietnam war to "the system" to ecology to the "Jesus revolution" and now to personal fulfillment. Every thrust of the youth culture is vitiated as soon as it is "in" long enough to be identified with one age group. About the only sure thing about the thrust of youth activism is that it will be different in a couple of years.

• Every message directed to every audience is unique in its time and impact. The individual is different from the frame of mind he was in when some previous message was aimed at him. And the importance to him of each message is a vital factor. So it is not possible to predict the response to any message on the basis of what the response has been to any previous message. A notable example was the reaction to President Nixon's announcement of his trip to China. There was no possibility of predicting the response by looking at opinion polls of previous responses of the public on even somewhat related matters.

• For communication to take place, the audience must be in what can be called a "posture of receptivity." This receptivity combines the background and heritage of the individual with his predisposition toward the source. That means that when an organization's actions and statements have developed a high degree of good will, every other message from that source will receive much more acceptability.

• There is a "threshold of consciousness" that must be passed before an idea becomes a factor in any attitude. Every idea or image of a person or organization that does "arrive" in the public consciousness has passed through the massive barriers that people have erected.

• In today's highly complex and diverse world, it is necessary to use a "multiple-channel approach" in projecting an idea to the public. There is no one or a few media that can achieve this penetration. It is necessary to surround the audience with the concept to make it become part of its mental framework.

The more closely a communication is beamed to a specific audience, the more likely it is to be received and accepted.

The early reaction to events or communications may disguise their actual effects. Great publicity and furor may *seem* to create public opinion because of their immediacy, visibility and force.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

But often there is a reaction against that furor that becomes the permanent effect. Much of the public desire to cool off the racial issues has been due to reaction against the trumpeted violence of the Black Panthers a couple of years ago.

More and more, as our organizations become bigger and more diversified, they are politically hamstrung internally, sometimes to the point of immobilization. Yet the problems of the human climate are external and must be approached forthrightly.

The prevalent feeling is that the period of multiple assaults on our institutions is a phase we are going through. Actually, there is reason to feel that it is building up inevitably and will continue to grow. Our society, by holding out the magic that a college education is supposed to bestow, is mass producing dissidents. And even when they attain any of their objectives, they are not likely to fade away but will go on to seek new and more demanding causes.

The multiplicity of causes is already bringing militants into conflict with each other. The gross overexpectations that have been built up are often aimed at opposing goals such as providing all needs and comforts for everyone at low cost and devoting massive resources to environment, employing the unqualified at high cost and other expensive goals.

The position of many organizational leaders today is anomalous. The managers of American institutions and enterprises are admired all over the world as magnificently trained and disciplined for operating complex organizations. An executive trained at a good graduate school has, by his original personality and the disciplined training he has received, been indoctrinated with the importance of the facts, the tangibles, the measurable. He is told that it is fuzzy minded to consider what can't be included in the equation, that can't be computerized or brought down to the bottom line. The managers of America are masterful in coping with the tangibles of their operations – budgets, personnel requirements, materials, facilities and so on.

Dealing with Intangibles

Now these managers are faced increasingly with problems that are *intangible* – mostly based on human attitudes and not on the measurable, the predictable, the factors that can be included in computerized evaluations. The problems deal with the attitudes of youth, contributors, activist groups, employees, potential employees, minority organizations,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

government agencies, legislators and others.

There are a number of emerging conditions that confront those who need to communicate with the American public:

1. This is an age of action and visibility, requiring that we deal with problems in depth and yet immediately.

2. Organization and corporate leaders who are accustomed to *determining* events are now faced most of the time with *coping* with events. Many of them are not prepared for such a diametrical shift. They want to impose their disciplined methods on the human climate. They expect predictability and measurability from communications efforts, just as they do in finance, production, purchasing, bookkeeping and other areas.

3. Those people who are trained to withhold judgment until the facts are in . . . to give precedence to reason over passion . . . to base their case on merits rather than on emotions, are the most vulnerable to activist dissent. A high level of professionalism leads professors, lawyers, physicians, clergymen and others to abhor public combat.

In an age of activism and visibility, the profession with high standards, that deplores aggressive appeal for support and prefers to work in dignified silence, is a sitting duck. Academicians, lawyers and doctors, who scorn efforts to capture favorable attention, face being swept into subjugation by the nature of our times.

4. The explosion of instant and visible communication has not only made a now society, but has made visibility the factor that determines what occurs in it. Repeatedly we find that it is not the facts of a situation but what it *seems* to people that becomes the real reality. When the television screen shows police using force on milling youth, the public concludes that the police attacked the crowd. When millions see only disheveled and obscene youth marching on campuses, it concludes that the whole young generation is like that.

5. People have seen massive advances made in those aspects of our system where technology is the key. Automation, using electronic techniques, has multipled the output of our industrial cornucopia. Computers handle masses of information and records that would inundate human capacities. But people expect the same multi-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

plications of capabilities where human capacities are still the key. The process of teaching cannot be revolutionized by installing automated equipment. Health care cannot be turned over to great programmed machines, but still depends on the skills and dedication of highly trained people.

How often we have heard, "If we can put a man on the moon, we can solve our problems here on earth by applying the same effort and dedication." But our scientists knew exactly where the moon would be on July 20, 1969. All factors could be fed into their considerations with a certainty they had a fixed target. But all *human* problems are in a constant state of change and of interaction with each other. The only certainty is that conditions ten years hence will *not* be just as we visualize them when we set our targets.

6. All the currents of passion and emotion and illogic, as well as reason, make it vital for *every* group to cope with the climate of attitudes. Yet almost every group is still concentrating on its traditional concerns. Business devotes most of its attention to production, finance and marketing – while its existence is being undermined on the issues of consumerism, minority hiring, preservation of the environment, invasion of management functions by labor and government, the reluctance of bright young people to work in large companies, and other forces that are all in the minds of men. Doctors continue to focus on caring for patients – while groups and government clamor for "restructuring" the health care system, drafting doctors for areas that lack them, and other issues that are forces in the minds of men. The colleges, despite their traumatic tumult of recent years, are still essentially concerned with courses, faculty and research – while student groups and government assault them to revolutionize not only their structures and functions but their very reasons for being.

All these professions labor conscientiously in their vineyards. But the climate of attitudes that will determine whether they will be able to function at all – and on whose terms – is being developed by the outside forces that shape public attitudes in an electronic age of action and visibility.

7. The battlefield for the human climate is the communications media and no aspect of our society has changed more than the media.

Only a few years ago a few magazines and a few major newspapers constituted the important

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

communications network. Today we have an explosion of media – hundreds of magazines, newspapers, television, radio, books, journals, newsletters, sound tapes. No subject short of a catastrophe now can claim the attention of more than a portion of the public.

There is bitter competition for space in any of the media. The competition among ideas has expanded manyfold. A new generation of journalists is attuned to "involvement," by which they mean changing the world instead of reporting on it. The multiplication of media creates competitive pressures to grasp for attention. In this climate, the reporter who produces a sensation is rewarded; the one who comes in with a solid but unspectacular report finds it hard to be appreciated. A media man who doesn't find a riot or crisis he can cover is tempted to wish for one.

8. The epitome of what may be the greatest of all the revolutions now facing us is that there are two electronic revolutions going on at the same time. One is the electronic revolution of TV – instant emotion and involvement . . . putting emphasis on "human feelings" and quick solutions . . . opposing the "inhumanity" of slow-moving mechanisms and institutions. The other is the electronic revolution of management of information and of systems – exemplified by the computer. It stresses facts, organization, hard reality, elimination of the nuisance variables.

Our youth are creatures of the TV revolution. Our institutions, with their libraries and their fruit of generations of thought and weighing of ideas, typify management by facts and data.

Our institutions are based on rules and standards, like computers; TV is based on emotion. Our institutions are based on history and tradition; TV on immediacy and novelty.

Required to Affect Public Attitudes

In light of the emerging problems and changing conditions, what are the requirements for anyone who needs to affect public attitudes?

1. He or she must become a very broad-gauged person. He must know the best thought in the social sciences and in mass communications by living with the best books, journals, seminars and especially the best people.

2. He must learn to see the whole picture in which his organization functions, including the whole scope of our society. He must know and understand where the various wheels mesh, where the trends are going, where the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

interrelationships between groups take effect.

3. He must think and work *ahead* – trying to command the future human climate rather than being swept along by it.

4. He must *master* the skills and knowledge involved in effective mass communication today, or hire that mastery.

Guidelines to Influence Opinion

There are a number of guidelines for anyone seeking to influence public opinion on behalf of an organization today:

1. He should recognize that the *internal* politics in the organization are a basic problem. They can immobilize an organization and prevent effective functioning. It is important to separate decision-making and functioning in the human climate areas from the internal machinations of the organization.

2. Administrators must recognize that in our present social climate, communication is no longer a prerogative of management; it is the essence of management. Communication determines whether anything really happens and what the consequences will be.

3. In our fast-moving times, any reading based on what people used to think or even what they think now is likely to be out-of-date by the time any new action or communication can take effect. To base plans and communications on what has gone before, or even what is occurring now, is to base one's future on *reaction* rather than action.

4. Every organization must help create the climate in which it will function, rather than let that climate develop and then try to cope with it. *Initiative* in communication is increasingly important.

5. The publics that must be reached by communications should be clearly defined. The process of segmentation means that what will evoke a response from one group will fail with some and perhaps repel others. Each communications activity must reach *specific* publics in ways that can gain *their* interest and motivate *their* support.

6. *Involvement* and *face-to-face interchange* with as many publics as possible is important for three reasons:

- It is the surest way to get a feel for how they really think and how they respond to what is said.
- It is demonstrable evidence of real concern for them and their needs.
- It is visible – not the visibility of being on television in thousands of homes at once, but still visibility that represents reality.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

7. With today's suspicious public, the impression of secretiveness automatically breeds distrust. If there seems to be refusal to interchange communications with the public, there is likely to be a gap in credibility and confidence.

8. Today's American has an almost arrogant sense of his own importance and interests, and resents what seem to be efforts to use him rather than to serve him. Whatever is said must be couched in the self-interest of the audience rather than in a way that seeks to sell a viewpoint.

9. It is far more effective to inoculate the publics in advance against the virulence of criticism that may come – by establishing confidence and understanding – than to try to overcome the ravages of these attacks after they have occurred.

10. Of all the factors involved in sound communication that leads thought and gets things done, *time* is probably the most vital. Careful contemplation and long consideration are luxuries of the past. The critics live in the real-time world of the television camera and the dramatic event. In an age of instant communication, often a few minutes are critical.

11. The new media-activist pattern is the "smart bomb" of human affairs. It seeks out targets that were formerly hidden or operated with a low profile. In this era of activism, visibility and pervasive media, the institution that seeks to sit things out with its head down is likely to be a sitting duck.

12. The *visible* and the *active* should be stressed. Ideas and facts are important, but it is how they are packaged that determines their effectiveness. Today the overwhelming force for influencing attitudes is the visible media: dramatic events, television, motion pictures, audio-visual techniques, and face-to-face interchanges.

13. It is more vital than ever that only the best possible skills in communication be relied on – for sensing the climate of attitudes, for planning and for execution. With the overwhelming complexity and severity of the challenges, the standard skills are most likely to fail and only the extraordinary skills to succeed.

The challenges of the communications explosion and the multiple revolutions in our society create heightened needs for persons disciplined in the skills of responsible public relations.

There is growing awareness among administrators that the real problems of all institutions are in the attitudes of people – the human climate in which the institution must function. Many

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

thoughtful managers recognize that they have not been trained to be sensitive enough to the human climate or to have the expertness to deal with it unaided. The human patterns are becoming more complicated rapidly. They are harder to understand and deal with. They demand greater expertness and experience. Communications sense and skills, which have always been vital and have always been scarce, are becoming more vital and scarcer still.

At its best, public relations is a bridge to change. It is a means to adjust to new attitudes that have been caused by change. It is a means of stimulating attitudes in order to create change.

It helps an organization see the whole of our society together, rather than from one intensified viewpoint. It provides judgment, creativity and skills in accommodating groups to each other, based on wide and diverse experience.

Like all other great changes, the shifts in our human climate and the pattern of communications that shapes it present great challenges to those who strive for a wholesome and productive society. Understanding the new dynamics and utilizing the best knowledge and skills, however, can help master these challenges like all others.

IDEAS ON LIBERTY

Look to the People

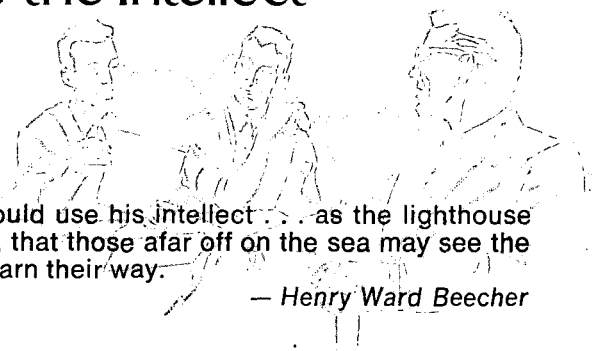
WHEN THE PEOPLE rise enmass in behalf of the Union and the liberties of this country, truly may it be said, "The gates of hell cannot prevail against them." In all trying positions in which I shall be placed, my reliance will be upon you and the people of the United States; and I wish you to remember, now and forever, that it is your business and not mine; that if the union of these states and the liberties of this people shall be lost, it is but little to any one man of fifty-two years of age, but a great deal to the thirty millions of people who inhabit these United States, and to their posterity in all coming time. It is your business to rise up and preserve the Union and liberty for yourselves, and not for me. I appeal to you again to constantly bear in mind that not with politicians, not with Presidents, not with office seekers, but with you, is the question: Shall the Union and shall the liberties of this country be preserved to the latest generations?

ABRAHAM LINCOLN
February 11, 1861

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Appeal to the Intellect

LEONARD E. READ



Every man should use his intellect . . . as the lighthouse uses its lamps, that those afar off on the sea may see the shining, and learn their way.

— *Henry Ward Beecher*

THERE ARE a thousand and one faults responsible for the sorry lack of moral and intellectual progress we decry; even more serious are the evils which cause the devolutionary plunge so apparent to any discerning eye. No one will ever spot all the errors; but let each one that is spotted be held to the light that others may recognize it.

Here is an error that has been bothering me, at once enormous and malicious, a fault so common that it appears, on the surface, to be a virtue. What might this be? It is the tendency to appeal not to the potential intelligence of others but, rather, to play upon, to take advantage of, their weaknesses. The fact that one's potential – the undeveloped capacity in each of us – is incomparably greater than his intelligence may explain the deplorable tendency here in question. For, unless one acts as wisely and conscientiously as he can, the road of least resistance must lead to decadence.

To illustrate: Sales researchers have discovered that a price of $4.95, for instance, gives the impression to most people that the item is more in the $4 than $5 range. While nearly everyone believes with Ben Franklin that "a penny saved is a penny earned," it is not necessarily a mark of frugality to spend 99 nickels to save one. It may be false economy and bad arithmetic. But such weaknesses are exploited. This explains why an item may be priced at $99.99 – 9,999 cents – rather than $100.

"Why," I asked a passenger

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

agent in an airport lounge, "do you advertise a trip to Hawaii for $159.95? Why not $160?" At least he was honest with me: "It fools people; that figure makes it look like a bargain." However, I must not leave the impression that this appeal to ignorance rather than to intelligence is a practice peculiar to business. We find it featureed in every field of human activity.

Political Promises

Appeals to weakness are the stock in trade of politicians. What will the people fall for? If it is something-for-nothing, then political platforms will promise delivery.

So-called teachers, economists, clergymen by the tens of thousands stoop as often to such cheap tricks as do labor unions, chambers of commerce, PTA's, and countless other organizations. Find out what weak and thoughtless people will demand, support, cheer, follow – be it consumerism or socialism – and "away we go."

Further, those who deplore this appeal to ignorance are well advised to look in the mirror. Any such widespread error tends to "rub off" on everyone. Is there an identifiable form of immunity to this malady? Yes; merely observe if integrity prevails. If one is saying or writing only that which his highest conscience dictates as truth, then, definitely, he is appealing to strength or intellect rather than to weakness. Why this claim?

When one acts with integrity, his eye is not cast on cheers, applause, fame, fortune, profits, and other worldly emoluments. Instead, the pursuit of truth and its accurate reporting commands the individual's attention. Is this to wave aside the things of this world? Hardly! Seek ye first Truth and Righteousness, and these things shall be added unto you.

To Reverse the Trend

How, then, are we to reverse course and be rid of this mischievous habit of appealing to weakness? The answer: *appeal to intellect.* No matter with whom one is communicating – whether a customer, student, voter, employee, spouse, child, or other – assume his intelligence. How? By making certain that every utterance – written or oral – accurately reflects the truth as one sees it. And watch the recipient of the message rise to the challenge. To expect and believe in another's intelligence has a drawing power, an attractive or magnetic effect.

To test this conclusion, simply ask yourself: When do I best respond? When someone assumes I am stupid and tries to "pull the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

wool over my eyes," or when he assumes I am as bright as can be? As the famous psychiatrist, Dr. Fritz Kunkel observed: "Immense hidden powers lurk in the unconscious of the most common man – indeed, of all people without exception." Tap these immense hidden powers by an appeal to intellect. Let integrity feature one's every word and deed.

"What? You expect me to give up the practices that are keeping me in business or in office?"

Frankly, I do. I expect better of those who are now or who have been appealing to weakness. But when a switch is made, if at all, it will be in response to explanations and demonstrations by a few that an appeal to intellect is the way best to serve one's self-interest. No one can prosper for long – materially, intellectually, morally, spiritually – in a society based on appeals to weakness, be the appeals intentional or not.

Always address our appeals to the other person's intellect. For all you or I know, his hidden or latent powers may be greater than yours or mine. In any case, we will have tried our best, not our worst and, by so doing, will have helped ourselves.

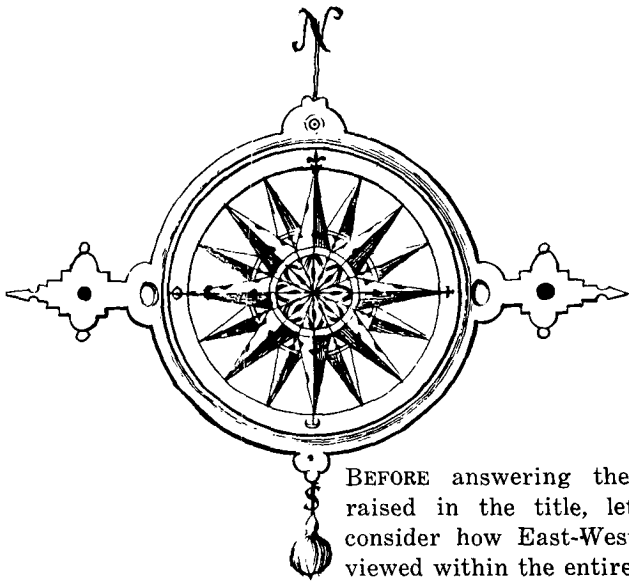
IDEAS ON LIBERTY

Knowledge and Learning

THE INTELLECT, which has been disciplined to the perfection of its powers, which knows, and thinks while it knows, which has learned to leaven the dense mass of facts and events with the elastic force of reason, such an intellect cannot be partial, cannot be exclusive, cannot be impetuous, cannot be at a loss, cannot but be patient, collected, and majestically calm, because it discerns the end in every beginning, the origin in every end, the law in every interruption, the limit in each delay; because it ever knows where it stands, and how its path lies from one point to another.

CARDINAL JOHN HENRY NEWMAN
The Idea of a University

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Who Profits from East-West Trade?

EUGENE GUCCIONE

BEFORE answering the question raised in the title, let's briefly consider how East-West trade is viewed within the entire US political spectrum. Essentially, there are four major schools of thought:

1. *The Peaceful-Coexistence School.* Advocates of this school call themselves free-traders and hold to the premise that: (a) trade benefits all parties involved, hence it is the best tool to achieve peace; (b) US trade barriers should be removed, and the quicker the better; and (c) negotiations, cultural exchanges, and political compromise should be used extensively.

Critics of this school say that: (a) Russia – which has a crying need for American technology and

Mr. Guccione, a chemical engineer, is senior editor of *Engineering & Mining Journal*, and a director of the *Committee for Monetary Research and Education*.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

capital – would benefit far more from increased trade than the US; (b) Russia confiscated US property and pirated American know-how in the 1920's and 1930's, never repaid the $11-billion loan of the 1940's, stole US atomic secrets, looted Eastern Europe and enslaved it, and provoked the US in Korea, Cuba and elsewhere in the 1950's and 1960's – hence, US trade barriers are necessary defenses; (c) negotiations, cultural exchanges, and compromises are useless as long as Russia uses trade as a weapon in its expansionistic foreign policy.

2. *The Flexible School.* Holders of this position differentiate between Russia and Eastern European countries, saying that Russia should be isolated and contained, whereas the Eastern European countries should receive US trade and help whenever they show signs of growing tired of Russian domination.

Critics say that the Flexible school cannot "contain" Russia because the Soviets would be able to obtain Western technology indirectly through the Eastern satellites – and that the Flexible policy lacks a plan for helping Eastern European countries when they are most sorely in need of help, such as Hungary in 1956 and Czechoslovakia in 1968.

3. *The Militant School.* Supporters, worried by Marxist theories of the historical inevitability of Communism's victory, maintain that East-West trade is unthinkable and that Communism must be wiped out.

Critics identify the Militant School as negative because it is *against* rather than *for* something, and say that it does not have the power to achieve positive solutions and can lead to disastrous confrontations.

4. *The Leave-It-Alone School.* Proponents view Communism as a parasite that will die if deprived of its hosts (the West); therefore, it is not necessary to fight it (as the Militants suggest) nor to live with it (as the Peaceful suggest) in order to be rid of it – but merely to "leave it alone" by halting all trade and severing all connections.

Declaimers say that this policy is impractical and would be ineffective as the US could not convince all nations of the Free World to stop trading with Communist nations.

The Libertarian Position

Another position – which, so far, has no influence whatever – is that advanced by the *Libertarian School.* It rejects all the four major approaches to East-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

West trade because it finds them incompatible with the concept of freedom. For example, according to libertarians, the Peaceful-Coexistence school (which today has the greatest influence in Washington) sweeps under the rug the fact that the kind of "free trade" it advocates is in effect a *coercive* activity because financed via US government guarantees and US Export-Import Bank credits and giveaways – and, as such, is ultimately financed by the US taxpayer whenever Communist nations default on their debts.

Essentially, libertarians are sympathetic to the Leave-It-Alone school – but with an important exception: they would never forbid trade with the Communists or anyone else. Since freedom implies responsibility for one's own actions, so goes the libertarian argument, anyone should be free to engage in trade with Russia and other Communist nations *at his own risk.*

For instance, if a US corporation such as the XYZ Chemical Company wants to build a textile plant in Siberia, then the XYZ people should have every right to do so with their own money and resources – but certainly *not* by soliciting special guarantees from the US government against Communist expropriation, or by helping their Communist client to finance the venture through US Export-Import Bank credits.

I am a libertarian. And I believe that any other approach to East-West trade is doomed: the burden of all the mistakes that occur will ultimately be borne, as it always has, by the US taxpayer. This is not a prediction but a statement of fact based on historical events, the most recent of which is that horror known as the "Soviet grain deal."

Who Profited from the Grain Deal?

Even a cursory look at the Soviet grain deal will go a long way in demolishing the view – widely shared by many American bankers, businessmen and government officials – that a great increase in East-West trade paves the road to increased understanding between the two superpowers, to relaxation of tensions, to enormous economic benefits, growing cooperation in international affairs, peaceful coexistence, and a litany of other alleged benefits.

Briefly, here's a synopsis of the grain deal:

During the trade talks in early 1972, the major objective of US government officials was to obtain a Soviet commitment to purchase "surplus" American grain. To help finance the $750-million purchase, our government went to the extent of providing the Russians with a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

$500-million credit through the Commodity Credit Corporation.

In late May or early June 1972, the Kremlin found out that the Russian grain harvest would be disastrous. Immediately, Soviet buyers crept into the US and secretly bought at low prices all the American grain they could. Throughout the entire 1972 summer, US government officials, unaware of the extent of Russian purchases, blissfully encouraged the sale of "surplus" grain by maintaining grain prices artificially low through payment of some $300 million of subsidies to exporters.

It was after these Soviet purchases were consummated that the grain shortage suddenly appeared and wheat prices jumped by more than 50 per cent.

To trace just *one* of the consequences, let's see the effect on meat prices.

US livestock and chicken raisers were now faced with an unprecedented increase in feed costs. Not surprisingly, meat prices went up. (There were other factors involved, however.) As consumers screamed to high heaven, the government extended price controls on meat. With the exception of sundry politicians and pseudo-economists, every thinking person knows that fixing prices below the market level will cause shortages, and that price controls immeasurably worsen the supply situation: marginal producers will go out of business. No one can make a living selling below cost – and that includes chicken raisers.

"I don't mind hard work, but I hate paying for the privilege," is the comment of a farmer who had to slaughter his chicks to avoid bankruptcy.

The US-Soviet grain deal was "... a colossal American grain giveaway to the Soviet Union, the inflationary effects of which have already cost this country hundreds of millions and perhaps even billions of dollars." This is a quote from the July 26, 1973, lead editorial in *The New York Times*.

The Brezhnev Overture

Thanks to several decades of increasing governmental meddling in the economy – a meddling recently quickened by "jawboning," "voluntary guidelines," "monetary fine-tuning," "progressive fiscal policies," "freezes" and "phases," not to mention all the impediments and obstacles that government bureaucrats and armies of environmentalists and ecologists have imposed on mineral exploration and development – Americans are now beginning to feel the pinch of raw material and fuel shortages.

The Russians, on the other hand, for the first time in their

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

history, are claiming their self-sufficiency and speak of exploiting their natural resources for the export market.

Though probably exaggerated for propaganda purposes, the natural resources of the Soviet Union are enormous. But they are virtually untapped. The reason: the Soviets do not possess either sufficient development capital or the technology needed to convert their natural resources into values.

On June 24 this year, Leonid Brezhnev appeared on American TV and made the same pitch that every Russian leader – from Peter the Great and Catherine, to Lenin and Khrushchev – has been making for centuries:

Give us your knowhow and investment capital in exchange for our raw materials, and we'll both prosper.

Generously sprinkled with pleas for peaceful coexistence, the Brezhnev overture sounded irresistible for many reasons, some of which are more important than others. I will mention what I think is the most crucial one: our need for fuel.

The Soviets' Bait Is Oil and Gas

The US energy crisis is getting worse. We import every day 6 million barrels of oil which costs us some $7 billion per year. Unless the US develops its domestic resources, we will have to import some 20 million barrels of oil per day by 1985 at an annual cost of $29 billion. And that is just to keep things as they are, never mind growth or progress. The estimate, moreover, is based on the optimistic assumption that the dollar will retain its current value in 1985. Unfortunately, the dollar, after 60 years of regulation by the Federal Reserve System, is just another fiat currency, i.e., inconvertible, and quickly depreciating in the world monetary markets.

Earlier this year, I edited a book, *Mineral Resources and the Economy of the USSR* (McGraw-Hill), authored by Alexander Sutulov, professor of metallurgy at the University of Utah. In his book, Sutulov notes that current oil and gas developments in western Siberia are indeed impressive. Although development work began only a few years ago, Siberian oil production reached the 85-million-ton level last year. And by 1975, oil and natural gas production will reach 125 million tons, fully one-half the present output of Saudi Arabia, says Sutulov.

During the 1972 trade talks, Peter G. Peterson, then US Secretary of Commerce, stressed that American-Soviet joint ventures in fossil fuels were "potentially the single most important product" of the negotiations. Generally, Soviet

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

proposals envisioned first the contribution of American investment capital – made available through government-guaranteed US loans – with which the Russians would buy American equipment and knowhow; then, during the time that the Kremlin would settle its debts with Uncle Sam, the participating American firms would receive as payment for their contributions a commensurate portion of the mineral commodities and fuels produced at the newly built Soviet facilities. Thereafter, the Soviets would entertain entering long-term supply contracts with the US.

At present two major deals are under discussion involving Siberian natural gas: El Paso Natural Gas is considering the construction of cryogenic plants in the Far Eastern Soviet ports to liquefy natural gas for import to the US West Coast; and Tenneco, Texas Eastern Transmission, and Brown and Root are negotiating a similar deal for gas export to the East Coast. Earlier this year, incidentally, the Soviet government and Occidental Petroleum completed a $10-billion deal involving the supply of chemical plants (by Occidental) in exchange for fertilizers and natural gas exports from Russia.

It is by making many more deals of this sort, according to Morgan Guaranty Trust, one of the largest US banks, that ". . . the US could reap considerable economic benefits. Over the first few years . . . US exports to the Soviet Union seem likely to grow much more rapidly than imports. This would be a plus both in terms of creating more jobs and helping the balance of payments. In the longer run, drawing on Soviet energy and raw material resources could alleviate some of this country's supply problems." (from *The Morgan Guaranty Survey*, Sept. '72, p. 11).

Such cheerful optimism is fueled by the desire of various US businessmen who want their "fair share" of the COMECON market's foreign trade. (COMECON is the acronym for the Council of Mutual Economic Aid, whose members are: the Soviet Union, Poland, East Germany, Czechoslovakia, Romania and Bulgaria.) COMECON's 1971 aggregate Gross National Product was about $725 billion, and its world trade about $19 billion – of which more than $12 billion was conducted with eight non-Communist nations of Western Europe. By contrast, the US share was a mere $384 million in exports and $233 million in imports – totaling less than 1 per cent of all US world trade.

Will there be a boom in East-West trade? The answer, according to all the business executives

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and economists I have talked with, is unmistakably negative. Let's see why.

Geography Is a Negative Factor

"When those 'fair-sharing' US businessmen say there's a market in COMECON, they should ask themselves: a market for what and for whom? Our potential participation in that market isn't going to be as fantastic as the pie-in-the-sky predictions of vociferous East-West trade supporters," notes Raymond J. Kenard, former president of Power Gas Corporation of America and now a chemical consultant in international trade. "Let's forget about Russia for the moment," says Kenard. "Eastern and Western Europe are contiguous geographic land-areas, and this facilitates deliveries enormously. It's not so when you have to make a transoceanic shipment from the US. The freight situation alone would be ruinous."

Philosophical Differences Do Matter

"Even if Congress were to repeal all the tariff barriers to Russian goods, as Brezhnev would like, and even if the Kremlin were to settle the Soviet Jew emigration issue to our full satisfaction, I don't think there will be any appreciable increase in trade between the US and Russia," says Norman A. Bailey, president of Bailey, Tondu, Warwich and Company, a New York investment banking house.

Bailey, who is also professor of political science at the City University of New York, explains that should American exporters be finally freed of all controls, they would still have difficulties in selling unless US imports increased. But Eastern European goods would have to be competitive in price and quality to succeed in the US. To do that, Eastern Europe would have to become consumer-oriented and be free to move in response to market needs. In effect, this would result in the establishment of a free market, i.e., some form of capitalism, "... and I wouldn't hold my breath waiting for the Russians to let *that* happen," concludes Bailey.

Thus, to the dismay of pragmatists, even when viewed from a strictly commercial context, the subject of East-West trade ultimately bogs down in ideology and philosophy.

Charity Begins at Home

"If any major investment has to be made for mineral exploration and development, it should be done right here, starting with the oil and gas fields of Alaska, and the coal deposits of Wyoming, Utah and other Western states," says Felix E. Wormser, a mining con-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sultant, formerly Assistant Secretary of the Interior under President Eisenhower.

"It's true that we have an energy crisis, but the cause of that crisis is neither geological nor technological. For instance, we have more than 3,000 billion tons of coal reserves. That's enough to last for the next 2,000 years at our current consumption rate," notes Wormser, pointing out that we know how much of our fuel resources are recoverable and at what cost. "But we don't have that type of information about Russian coal or any of their other resources – which, at present, are no more than a geological potential that must still be realized."

According to Wormser, the cause of the US energy crisis is political: "Our oil and gas reserves have been dwindling because for years we haven't had either the capital or the incentive to do the kind of domestic exploration and development work that we once did and that today, thanks to inflexible government regulations and the demands of environmentalists, we are prevented from doing."

In the considered editorial opinion of *The New York Times*, Americans would be well-advised to respond with "a ruthless skepticism about all Soviet business proposals . . . Documentation of Moscow's grain coup must stand as warning to the American taxpayer against the commission of similar errors by American businessmen and the Government officials now being asked by the Kremlin to pay for Siberia's future development."

Formidable Financial Obstacles

Financially, no trade is possible without a stable and acceptable medium of exchange. Unfortunately, the dollar now lacks stability, and the ruble lacks convertibility. Even if the US could restore equilibrium in its balance of payments, and thus stabilize the dollar, ". . . the de-facto inconvertibility of the Russian ruble in terms of Western currencies and the Russian lack of liquidity pose other formidable obstacles to trade," says economist Patrick M. Boarman, director of research at the Center for International Business, Los Angeles.

Pointing out that the United States is now suffering the worst inflation in its history, Boarman notes that "...inflation isn't cured by expanding and extending credit to the Russians or anyone else," and that the largesse of the US Export-Import Bank and various private US banks borders on "mindlessness and irresponsibility."

There is no benefit, either short-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

term or long-term, in our trade with Russia, says Boarman. "Any payoff in raw material imports is very iffy because it will take years before Russian resources can be developed for the export market. As to the short-term payoff, it would actually be negative: since the Russians need our money to buy our technology, all we'd be getting from them are non-negotiable Soviet IOU's that, as such, will not improve one iota our balance-of-payment situation but will instead add more fuel to our already acute inflation."

What the Record Shows

In retrospect, the historical pattern of trade with the Soviet Union shows that "Bolshevik-planned industry feeds on the industrial freedom of the rest of the world. It would long ago have died a natural death, had it not been for the repeated injections of life-blood that are still being pumped into it," says German historian Werner Keller.

For instance, "In 1920, Lenin averted economic collapse by dangling the bait of 'concessions' (that is, legalized monopolies) to Western capitalists in exchange for development capital and technical knowhow," reports Norman Bailey, the New York banker. "Throughout the 1920's American and European firms played an enormous – although unacknowledged and, as it turned out, largely unpaid – role in the construction of Russian basic industries."

Russia went into a self-imposed isolation during the 1930's. "And the Soviets steered their economy into such a mess that, when Hitler invaded Russia, the Soviets came back to us again for help," observes Patrick Boarman, referring to the $11-billion Lend-Lease agreement of 1941. The settlement of the Lend-Lease, incidentally, is very illuminating: although the US wrote off the bulk of that Soviet debt after World War II and asked only for a $2.5 billion settlement to pay for civilian supplies, the Soviet Union finally offered to settle all debts for $300 million in 1960, when negotiations broke down. Last year, the US resumed negotiations – and, this time, asked only for $800 million. The Russians balked: they are willing to repay $300 million – at 2 per cent interest over 30 years.

Today, more than ever, Russia needs Western technology and capital, says Boarman, "and we, more than ever need reliable sources of fuel and raw materials. But we shouldn't be satisfied with mere promises before we rescue again the Russian economy from the consequences of Soviet mismanagement."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Market OR The Welfare State

PAUL L. POIROT

THE open market is a highly vulnerable institution, for it rests primarily upon *faith* that each individual may dispose as he chooses of whatever is his own and that he will not coerce, defraud, or otherwise forcefully interfere with other peaceful persons.

In air terminals one may note signs to this effect: "Paying Passengers Only Beyond this Point." In other words, the object is to exclude free riders, stowaways, bunko artists, saboteurs, hijackers, or worse. Passengers and baggage may be screened against weapons. The open market is something like that – wide open to all willing sellers and buyers, but hopefully closed to anyone who would exercise coercion to gain something for nothing.

Note carefully, however, the price of admission to the open market. It is not free – that is, the goods and services are not free for the taking; they are economic resources, which are scarce and valuable enough to be worth owning. In other words, the price of admission to the open market is the ownership of something customers are willing to buy or receive in exchange.

Alongside the gate to the open market, however, is another entrance which many have found enticing. Behind it lies the Welfare State and the allure of something for nothing.

The owner of any scarce and valuable resource is always in a serious minority situation, possessing what so many others would enjoy having; they can easily

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

muster an overwhelming majority to take his property if he doesn't give it to them. And this is precisely the manner in which the larder of the Welfare State is stocked. Organized interest groups prevail upon the tax collector to take some or all of the property from those who would enter the market, thus providing the goodies dispensed to welfare clients.

Superficial observation of those entering the gates of the market indicates that many are coming empty-handed, with no property to trade. But closer inspection reveals that what such a person brings are his hands – his labor – always scarce and always valuable, property which he can trade for the things more valuable to him than his leisure.

Marketing One's Labor

The nature of human labor does present marketing problems. Its value is quite variable, it lacks uniformity, it is perishable, not easily transported or stored. These shortcomings are especially conspicuous in international trade where citizenship requirements, immigration restrictions, language differences, racial prejudices, and national customs more or less close the market to foreign laborers. Furthermore, there are vast differences in the skill various laborers bring to a particular job – or the skill required for the job. One man's labor may or may not substitute satisfactorily for that of another – or it may serve in one situation but not in others.

So, what the laborer especially among market participants urgently requires is a reliable medium of exchange, a wage paid in money that can readily be traded to satisfy his wants – even across national boundaries. Yet, so uncertain and variable are the qualities of labor that a viable market economy begins to evolve only as men develop tools and skills and become specialists in various productive activities and occupations. This increases the incentive for exchange, and increasing specialization and trade increases the need for money, that is, for a commodity more acceptable in trade than are most other goods or services. Thus do market activities lead to the development and use of money, because it facilitates trade. And chief among the beneficiaries of a market-originated monetary system are the laboring poor who have nothing to sell but their services. With money, they can pull supplies through barriers which they could not negotiate in person. Thus is a man's range of choice expanded, thus are multiplied his opportunities for self-improvement – all within the con-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

text of the open market and its monetary system.

"Rising Expectations"

This growing affluence, of course, has not escaped notice by the seeker of something for nothing. His increasing envy is sometimes referred to as "rising expectations." Pressure upon the tax collector to "soak the rich" builds to the point of soaking every participant in the market, every owner of property, including the laboring poor. There is no better illustration of this tendency than the regressive income tax collected in the name of social security. Every employee engaged in "covered employment" – which includes almost every job and every worker – is subject to a tax of 11.7 per cent on the first $12,600 of his annual earnings. (That higher base takes effect January 1, 1974.) Earnings above that amount are exempt from the social security tax – which means that the effective tax rate for a wage earner in the $25,000 bracket is only half the rate for a worker earning the minimum or less. What the tax collector withdraws from the wage earner in the market is then siphoned into the coffers of the Welfare State. Thus is the worker tempted to leave the market promptly at age 65.

There is another law which bars from the market any laborer unwilling to earn, or incapable of earning, the "minimum wage." The coercive activities of labor unions also have the effect of closing the market. But there shall be no attempt here to explore in detail the countless ramifications and manifestations of governmental intervention parading as welfarism.[1] The one further aspect that should be mentioned again, and further examined, pertains to what the government has done to our money.

We have seen how important it is to all traders, and especially to the seller of his own labor and skill, to have a market-originated and market-regulated medium of exchange. But the trader's purpose and use for money is by no means the same as that of the person who wants to regulate and control how other people are to live and act. The tax collector has no intention of earning the property he takes from the market. His object is something for nothing; and in monetary matters the most instant process is to create a fiat money and declare it "legal tender" in place of the money chosen by traders.

Perhaps the best definition of a

[1] For further treatment of the matter see two books by Henry Hazlitt: *Man vs. the Welfare State* (New Rochelle: Arlington House, 1969), and *The Conquest of Poverty* (Arlington House, 1973).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

trader is "one who is gainfully employed." One simply does not voluntarily trade unless he sees gain for himself in the transaction, especially so if he is to receive money in exchange, whether it be in cash or as credit. So, the trader wants money that will either advance in purchasing power or at least hold its own while in his possession. But in any transaction involving credit, the debtor would be delighted to pay later in depreciated legal tender. So the deficit-backed dollars pumped into the market by the Federal government seem for a time to be sheer debtor's delight, affording something for nothing. However, bad debtors drive creditors from the market. Who wants to try to trade with a dead beat? As Gresham expressed it: "Bad money drives out good." In other words, fiat money tends to dry up the market – first at the level of international trade (our government can not force foreigners to accept our legal tender) and eventually domestic trade as well. Traders retreat to barter, and further back toward self-subsistence. And those who stand most to lose from the closing of the market are the laboring poor. Unable to sell their services, they are reduced to serfdom or slavery.

There comes a time when a man must stand – alone, if necessary – in defense of the open market and the trader's opportunity to be gainfully employed.

IDEAS ON LIBERTY

Revolt Against Nothingness

THE GREAT TASK of the present age, in the field of morality, is to convince common men (uncommon men never fell into the snare) of the inane foolishness which envelops this urge to revolt, and make them see the cheap facility, the meanness of it; even though we freely admit that most of the things revolted against deserve to be buried away. The only true revolt is creation – the revolt against nothingness. Lucifer is the patron saint of mere negativistic revolt.

JOSE ORTEGA Y GASSET
Mission of the University

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

EDWARD COLESON

CAPITALISM and MORALITY

"NOTHING is more unpopular today than the free market economy, i.e. capitalism. Everything that is considered unsatisfactory in present-day conditions is charged to capitalism." Thus wrote Ludwig von Mises in 1947.[1] But the bad reputation of capitalism is of long standing. John Ruskin denounced Adam Smith as ". . . the half-breed and half-witted Scotchman who taught the deliberate blasphemy: 'Thou shalt hate the Lord, thy God, damn his law, and covet thy neighbor's goods.' "[2] Marxists and Fabian Socialists have built up a large library of anticapitalist propaganda over the years.

In times of economic crisis the opposition to capitalism becomes even more pronounced. During the Great Depression in a book co-authored by a number of prominent churchmen, we were told: "The whole future of Christian societies depends on whether Christianity, or rather Christians, decisively leave off supporting capitalism and social injustice. . . ."[3] Such pronouncements could be cited almost without number. In the recent past it was assumed that the more orthodox and evangelical wing of the Christian movement was more kindly disposed toward capitalism, and there is statistical evidence to support this view; but now a group of exceedingly vocal evangelicals have appeared who denounce this traditional economic and political conservatism as unchristian.

Dr. Coleson is Professor of Social Science at Spring Arbor College in Michigan. This article is from an address delivered July 3, 1973, at the Summer Institute at Hillsdale College.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

It would appear to me that one of our most urgent tasks is to try to understand this bitter animosity against capitalism by men of intelligence, social concern, and even Christian faith. Certainly, part of these socialistic and communistic dissenters have a vested interest in the destruction of capitalism and our nation too. Yet many are honest men of good will who oppose a market economy because they fail to understand it.

No Pre-Industrial Utopia

In point of time, the first fallacy to contend with is the pre-capitalist state of society. It is easy to dream up an idyllic and utopian age when unspoiled peasants lived life to the full close to nature, a medieval version of Rousseau's "Noble Savage" in a primitive paradise. Actually, Hobbes' insistence that life in a state of nature was "nasty, brutish and short" is closer to the truth. Adam Smith mentions that in his time, "It is not uncommon . . . in the Highlands of Scotland for a mother who has borne twenty children not to have two alive."[4] Remember, this was as recent as two centuries ago. Another writer tells us "that the deaths in all medieval towns largely exceeded the births, so that the towns only survived by constant recruitment from the country...."[5] Famines were frequent and severe. More recently, E. A. Wrigley claims that in certain French parishes, which he studied in detail, the death rate was proportional to the price of grain back nearly three centuries ago.[6] And pollution – you should have seen and smelt it – back when everything was thrown into the streets. The pre-industrial state of affairs was no paradise, even if conditions did not improve as fast as they should have as we moved into the modern period. The contention that everything was lovely until the vicious capitalist played the serpent to that Eden is not supported by the facts of history.

Another notion is that life was relatively simple in the pre-capitalistic social and political order. The reasoning is as follows: life was simpler in the 1890's than it is today and – by an extension of the same logic – it must have been even more simple in the 1690's or 1590's. Wrong again. Life was relatively simple in the late Victorian period as a few surviving oldsters still remember; but the 1690's were as much like today as a pre-industrial society could be. As one example, in France "it took more than two thousand pages to print the rules established for the textile industry between 1666 and 1730."[7] Punishment for breaking these regulations was severe. Multitudes of people died for economic of-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fenses that ought never to have been considered crimes. And, remember, all of this happened before the Industrial Revolution made life complicated – or so we are told. It should be obvious that this complexity grew, not out of the necessities of the situation – what did they need of thousands of pages of textile "codes" in the days of hand weavers – but out of a philosophy of government. As has been said, the men of that age "displayed a marked belief in the efficacy of government to achieve any and all desired ends by means of legislation."[8] How modern!

Adam Smith and the Rule of Law

Another common idea is that Adam Smith was an anarchist. Nowadays if one admits that he believes in free enterprise, he is often reminded that we *must* have government. There are many anarchists in our midst today and it appears their numbers are increasing – perhaps a reaction to the excesses of statism – but anarchy is not a necessary alternative to total government control. Smith distinguished between what he called "the laws of justice" and the inane attempts of various pressure groups to rig the market in favor of their petty interests.[9] To Smith the task of government was the administration of justice, not the job of running everybody's business. He also thought the government should protect the nation from foreign invasion and maintain "certain public works and certain public institutions" for the general welfare, apparently services hard to charge for, such as the use of a lighthouse or the street and sidewalk in front of your house. It is obvious that Smith believed in government, but thought, like Thomas Jefferson, that it should be a "simple, frugal affair." Many people today are turning again to those two classics of 1776, *The Wealth of Nations* and the "Declaration of Independence." Let's hope that limited government is coming back in fashion.

Capitalism and Greed

Another common fallacy is the idea that Adam Smith sanctified greed, that free enterprise is brutal – "every man for himself and the devil take the hindmost." Again, this has been a common view, held by both capitalists and socialists. However, this was not Smith's version of capitalism. This misconception has no doubt been the most damaging to free enterprise of all the accusations leveled against the system: both Christians and humanitarians denounce it as evil and vicious. Henry Thomas Buckle, an English historian of the last century, made an interest-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing observation on this problem. He pointed out that in his earlier book, *The Theory of Moral Sentiments,* Smith emphasized sympathy, and then seventeen years later he published *The Wealth of Nations* dedicated to the proposition that ". . . the great moving power of all men, all interests and all classes, in all ages and in all countries, is selfishness." This is the common view, except that most people do not know about his earlier devotion to compassion. Buckle described what appeared to be a dramatic change in Smith's outlook:

> In this way Adam Smith completely changes the premises he had assumed in his earlier work. Here, he makes men naturally selfish; formerly, he had made them naturally sympathetic. Here, he represents them pursuing wealth for sordid objects.... It now appears that benevolence and affection have no influence over our actions. Indeed, Adam Smith will hardly admit humanity into his theory of motives.[10]

Since Buckle considered *The Wealth of Nations* as "probably the most important book which has ever been written," he seems to have had no prejudice against its author. He explains the apparent inconsistency, the obvious shift in philosophical position, by saying that Smith was investigating both sides of the same problem, that the books were "compensatory rather than hostile," that one supplemented the other, that we all have a streak of sympathy and also of selfishness in our make up. Whatever Smith's intent, the image of greed has come through to the general public. However, I suspect that the people who talk the loudest about the problem have never read *The Wealth of Nations.*

One of our contemporaries, Richard C. Cornuelle, has also tried to resolve the dilemma. He begins with Mandeville's familiar *Fable of the Bees,* published in 1705, a satire written to prove "Private Vices make Public Benefits," as the subtitle tells us. The question was whether the individual man's greed did or did not promote the general welfare by increasing economic activity and hence the standard of living for everybody. The older view was that no one could gain except at other people's loss, that we can only enrich ourselves by impoverishing others. As Cornuelle tells us,

> Mandeville merely stated the "private vices – public benefits" dilemma. It was left to Adam Smith to resolve it. In his monumental *Wealth of Nations,* he told the world clearly and comprehensively what made commerce work. There is an astonished

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tone in his work, as if he could hardly believe his own discoveries. . . .[11]

Smith had discovered to his amazement that the true long-range self-interest of each individual was compatible with everyone else's welfare, that what was good for one was best for all. If this is true, there is no necessary conflict between Adam Smith's earlier philosophical system founded on sympathy and the alleged greed of *The Wealth of Nations*. As Smith said, the businessman in seeking his own interest is "led by an invisible hand" to promote the general welfare, "an end which was no part of his intention."[12] This is an attractive idea: what is good for the farmer is good for the consumer, what is good for labor is good for management, what is good for Russia, Red China, Cuba, and our more friendly neighbors is good for the United States and vice versa. This sounds great, but is it true?

If we assume that what is good for each is good for all, the next question is whether we will automatically know what is right and spontaneously do it. Of course, we need to differentiate between blind greed and enlightened self-interest, but even then there is little historical evidence to support the view that we will necessarily know the right and do it. Unfortunately, there was a tendency after the publication of *The Wealth of Nations* to assume that if businessmen "did what came naturally" that the consequences would surely be good.

It should be remembered that about the time Adam Smith was born Newton captured the popular imagination with his famous solution of the riddle of the universe, the so-called "Newtonian synthesis" of the astronomy and physics since 1543, the work of Copernicus, Kepler and Galileo. As a consequence, it became the fashion to look for mechanical laws of human behavior, of society, of government and of the life of man in every dimension. Men had become machines. Malthus' famous essay of 1798 warned that population would automatically outrun any possible increase in the supply of food so that no improvement in the human condition would be possible. Little wonder that he and his good friend Ricardo earned for economics the nickname, that "dismal science."

English Reform and Free Trade

If a few intellectuals were prepared to let Nature take its course back then, the "do-nothing" social policy so often associated in the popular view with laissez faire, certainly there was no lack of reform efforts before and after 1800.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

It was during these decades that William Wilberforce and the Clapham Sect were laboring mightily for the abolition of slavery. It was really not a good time to push reform either, since the French Revolution began in 1789 and the world was not done with Napoleon until after Waterloo in 1815. While the conflict was not continuous for this quarter of a century, wars and rumors of wars were the rule. In spite of the turmoil, Wilberforce and his associates got the English share of the slave trade (the transportation of slaves from Africa to the Americas) outlawed in 1807. After the Napoleonic Wars the British government and the Royal Navy worked diligently to suppress the commerce in slaves altogether and pressured other governments into cooperating. After the Civil War, with its Emancipation Proclamation plus the abolition of slavery in the Latin American nations to the south of us about the same time, it appeared that the future of human freedom was secure. Reform had paid off.

During the long decades of the struggle against slavery there were those who argued eloquently that the best thing to do about slavery was to ignore the problem; maybe it would go away of itself. Indeed, it may seem a paradox that Englishmen who were going laissez faire in economics should at the same time have been working diligently to suppress slavery far from their shores and in lands where they had no jurisdiction. It would have seemed logical for them to have tended to their own business, the job of making money, and to have let slavery "wither away."

This is an exceedingly important point. The English reformers of the early and middle nineteenth century were not anarchists. They believed in freedom under law – God's Law – and since slavery was clearly contrary to God's Law, they were working for its abolition. It would certainly be a revolution today if all laws and political arrangements that had no moral justification should be abolished. Perhaps we have grown too tolerant of the powers that be. The Nazi and Communist oppression of the last half century has shown that power corrupts, that progress is not inevitable, and that freedom is not automatic.

The great English reform effort of the last century is misunderstood and largely forgotten, yet their accomplishments were enormous. Wilberforce and his associates accomplished more of a constructive nature than any reform movement in history.[13] It was out of this context that Victorian free trade and free enterprise came,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and the leaders of the movement which made it happen were devout Christians who regarded their campaign as a holy crusade. Before free trade became a popular issue, the British had abolished plantation slavery in their colonies (Wilberforce died as the abolition bill was being debated in Parliament in 1833, but lived long enough to know it would pass); to many Englishmen free trade and free enterprise were just the next logical national objectives. In one of the first lectures delivered under the auspices of the fledgling free trade movement ". . . it was stated that the organization was established on the same righteous principle as the Anti-Slavery Society."[14] Although everyone recognized that these were economic questions, the posture of righteousness and reform was maintained throughout the campaign.

Repeal of the Corn Laws

The focus of the economic reformers' attention was the "British farm program," the famous Corn Laws, a complicated system of tariffs which was devised to keep out foreign grain until domestic prices became prohibitive. To Richard Cobden, John Bright, and other members of the Anti-Corn Law League, this practice of keeping food needlessly scarce and expensive was criminal and wicked, and no amount of legislation would make it moral. Even that distinguished reformer Lord Ashley, the seventh Earl of Shaftesbury, a landed aristocrat who had nothing to gain and perhaps much to lose if English markets were flooded with America's agricultural abundance, voted for free trade in food because it was right. By contrast, those of us who remember forty years of Federal farm programs since Henry Wallace "plowed under cotton and killed little pigs" in the spring of 1933, recall little attempt to approach the problem ethically. Such was not the thinking of the early Victorians. A great conference of the clergy was held at Manchester and many ministers began to preach that the corn laws were "anti-scriptural and anti-religious, opposed to the law of God." The League produced and distributed many tons of propaganda leaflets. It has even been claimed "that there was not one literate person in all of Great Britain who had not read of the League and its work by the end of 1844,"[15] a degree of saturation it would be hard to achieve even today.

This enormous effort paid off. By 1846, the League succeeded in abolishing the hated Corn Laws, and a flood of cheap grain from America inundated the British (and later Western European mar-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

kets) and provided the common working man with a decent diet at a reasonable price. In the next few years the British abolished their remaining tariffs, which their neighbors tended to do also. The stage was set for the enormous growth of world trade in the late Victorian period, a burst of creative activity which promoted prosperity and economic development around the world and in the United States too. Their faith in freedom was not ill-founded. The English free traders were optimists who "were much embarrassed . . . by the dismal parts of the dismal science," as expounded a generation earlier by Malthus and Ricardo. They "avidly seized upon the purified version of economics presented by the Frenchman, Frederic Bastiat."[16] These men believed that progress and peace were the fruits of a proper economic policy, and in the short run, at least, this seemed to be the case. Those in our midst who are oppressed and depressed by the strife, turmoil, and seemingly permanent poverty of vast areas of the world today, would do well to study the Victorian example.

Then and Now

Certainly, these men and their times make an interesting topic for study, particularly the contrasts between then and today. As one author says ". . . in the early nineteenth century the upper middle-class elite believed in piety, reform of Church and State, moral action and laissez-faire economics."[17] When comparing their day and their reform efforts with our own, the historian of the future will, if he is fair, say of them, "Never did so few accomplish so much with so little." Of our massive multi-billion-dollar attempts at remaking the world in our own time he must say, "Never did so many accomplish so little with so much." Perhaps capitalism has much more to offer than we have realized for a long, long time. With socialist schemes collapsing all about us, it is time that we try to understand how it worked.

Faith and Freedom

It is easy to dismiss favorable comments on Victorian economic policy as procapitalist propaganda, and there is some of that along with a flood of the socialist variety. One of the most glowing evaluations of free trade and free enterprise that I have ever seen was written by an Austrian socialist, Karl Polanyi, a few years ago. He tells us that "the self-regulating market . . . produced an unheard-of material welfare."[18] As if this were not a sufficient achievement, he says, "The nineteenth century produced a phenomenon

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

unheard of in the annals of Western civilization, namely, a hundred's years' peace – 1815-1914," from Waterloo to the "Guns of August" in 1914. (I should hasten to add that he is aware of the Crimean War and the Franco-Prussian conflict but he regards them as fairly minor disturbances. The Civil War, of course, was in America, not Europe.)

After this panegyric on capitalism, a tribute as much in superlatives as Hazlitt or von Mises might manage in their most enthusiastic moments, Polanyi then warns us that the market economy "...would have physically destroyed man and transformed his surroundings into a wilderness." What frightens him about freedom is what people might do, and have done, when you turn them loose. When one ponders the history of freedom from the days of the Roman Republic to the present, he realizes that Polanyi's fears are not unfounded. In other words, there is only freedom over time for highly responsible and moral people. Free markets and free governments must be based on solid ethical foundations, a point that Edmund Burke saw clearly in the early days of the French Revolution:

> Men are qualified for civil liberty in exact proportion to their disposition to put moral chains upon their own appetites . . . society cannot exist unless a controlling power upon will and appetite be placed somewhere, and the less of it there is within, the more there is without. It is ordained in the eternal constitution of things that men of intemperate minds cannot be free. Their passions forge their fetters.

• FOOTNOTES •

1 Ludwig von Mises, *Planned Chaos*, p. 17.

2 Robert B. Downs, *Books that Changed the World*, p. 43.

3 *Christian Message for the World Today*. E. Stanley Jones and nine other churchmen are listed as the authors. The quotation from Chapter II, page 45, was apparently written by Basil Mathews.

4 Adam Smith, *The Wealth of Nations* (Modern Library edition), p. 79.

5 Warren S. Thompson, *Population Problems*, p. 73.

6 E. A. Wrigley, *Population and History*, p. 66.

7 John Chamberlain, *The Roots of Capitalism*, p. 20.

8 John M. Ferguson, *Landmarks of Economic Thought*, p. 36.

9 Smith, p. 651.

10 Henry Thomas Buckle, *History of Civilization in England*, Vol. II, pp. 340-354.

11 Richard C. Cornuelle, *Reclaiming the American Dream*, pp. 47-48.

12 Smith, p. 423.

13 Earle E. Cairns, *Saints and Society*, p. 43.

14 George Barnett Smith, *The Life and Speeches of the Right Hon. John Bright, M.P.*, Vol. I, p. 133.

15 Dean Russell, *Frederic Bastiat: Ideas and Influence*, p. 66.

16 *Ibid.*, p. 69.

17 Robert Langbaum, *The Victorian Age*, p. 9.

18 Karl Polanyi, *The Great Transformation*, pp. 3-5.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Western Marxists

KARL MARX thought he had "demystified" Hegel, that cloudy German philosopher who saw the manifestation of Spirit working through thesis, antithesis and synthesis to produce the ideal of the Prussian State. Marx dispensed with the idea of Spirit, but he kept his belief in the thesis-antithesis-synthesis triad. Pumping his own content into the words, Marx made capitalism his "thesis." Labor, or the proletariat became the "antithesis," with a new "synthesis" – Communism – postulated as the final end to the Hegelian process.

The whole schematization was absurd, as Max Eastman pointed out some thirty years ago. Society, or Western society at any rate, cannot be poured into any monist mold. It consists of many "theses" – the family, the churches, political parties, clubs and associations of all sorts, businesses, trade unions, interest groups, foundations, even anarchic individuals. They pursue many ends. The big, buzzing confusion works by a series of perpetual accommodation, with scores of new "syntheses" coming into being every day. The Marxist "revisionists" caught a glimpse of this, and the socialist Second International was compelled by the statistics of middle class growth to postpone the date of the revolutionary "final struggle" to an ever-receding future date.

Marxism Won't Die

So Marxian "scientific" socialism, which stood Hegel on his head, was discredited as pseudo-science. But the Marxist cult refused to die. In a brilliant book called *The Western Marxists* (Library Press, $8.95), Neil McInnes, the Paris editor of Barron's, has explored what he calls "the remystification"

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of Marx. His scholarship does much to explain what happened to the radical movements of the nineteen sixties, a period in which the young often seemed to be rebelling without plan, or philosophy, or justification by resort to tradition of any kind. The Sixties bypassed the mature Marx by seizing on the youthful Marx's idea of "alienation" to explain a need for revolt. A man named Marcuse was behind much of the rebellion. He was a refugee from Germany, and naturally he had philosophic antecedents. Who were they? Neil McInnes names them.

One of the antecedents was the French syndicalist, Georges Sorel. A Bergsonian, Sorel did not believe in any of the Marxian "laws of motion." Sorel was a free-willer who thought man could make almost any sort of history. Myths were important to move men to action. They didn't have to be "scientifically" true to be useful. One of the Sorelian myths was the "general strike." If he could persuade enough people to believe in its efficacy, he might topple capitalism overnight.

Lenin's Rise to Power

Lenin himself, a "Western Marxist" by courtesy of the fact that he lived for most of his adult life "under Western eyes" (Conrad's phrase) in Switzerland, was something of a Sorelian. When he returned to Russia in the Kaiser's sealed car he didn't wait for any capitalist "thesis" to raise up its proletarian "antithesis." Instead, he seized the leadership of disenchanted peasants and demobilized and deserting troops to grab the levers of government. Marx had not considered that a Communist revolution could come in such a rural State as Russia. Lenin still insisted he was a Marxist. But he had done his own re-reading of Hegel, which prompts Neil McInnes to consider Leninism as part of the "remystification" process. (The "mystery" was later dispelled by Stalin, whose crude materialism began with bank robbery and ended with mass murders as instruments of policy.)

Lenin always paid lip service to the "working class." Actually, he believed in professional revolutionaries. Once the Bolshevik professionals had won in Russia, however, Lenin put economics back into the picture. Work had to be done, even though it is always done badly under socialism.

Other "Western Marxists" who turned to "myth" in the Sorelian manner were, as McInnes names them, Antonio Gramsci of Italy (Mussolini beat him to the Sorelian punch and put him in jail), Georg Lukacs of Hungary, and the German Rosa Luxemburg. Since both

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Gramsci and Lukacs had to accommodate their return-to-Hegel thinking to getting along with official Communist Party doctrine, I have great difficultiy in following their turns and tergiversàtions as outlined by Neil McInnes. Hegel, taken by himself, is doubletalk, but when Marxists who don't really believe in Marx as a "scientist" try to reconcile the needs of party discipline to the needs of excercising originality it becomes triple-talk. The triple-talk, however, is historically important: it affected the young Marcuse, who brought it to America, and it emerged as "instant revolutionism" in Fidel Castro, Che Guevara, Frantz Fanon, Regis Debray, Rudi Dutschke, Daniel Cohn-Bendt, Malcolm X, Huey Newton, Stokeley Carmichael and such "academics" as C. Wright Mills and Noam Chomsky.

Changing the Establishment

What distinguishes the younger "Western Marxists" is their theory that society is a total "establishment" that must be changed all at once. But how do you do this when "labor," or the "proletariat," is making the highest wages ever? Marcuse has denied that labor can be the leader in any revolutionary overturn under modern capitalist conditions: the working man has been "bought out." So we have the "instant revolutionary" trust in the young (see such books at *The Greeing of America*), the blacks and the poor, all of whom seem to be letting Marcuse down these days as the Vietnam War recedes into the distance and the campuses return to a study of other things beside the art of insurrection.

When ideas get a re-run, says McInnes, they often emerge as grotesquerie. Hegel and the young Marx of the "alienation" period turn up as Zen Marxism, Pop Marxism, existentialist Marxism, and Flower Children estheticism. The "Western Marxists" are long on what they dislike (they object not only to capitalism but to any and all manifestations of industrialism, the Soviet Union included). Georg Lukacs, who looms particularly large in Mr. McInnes's chronicle, wanted a Communism that would liberate humanity from the very necessity of depedence on economics. His main interest, aside from revolution, was esthetic criticism, and his idea of Utopia, one gathers, was a community of scholars who would be miraculously freed from the necessity of digging and delving. The secret aristocratic bias of many of Mr. McInnes's "Western Marxists" is evident; they would have been quite at home in ancient Athens with slaves to do their work.

The constructive message of Mr.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

McInnes's book might be summed up as "beware of the thinker who insists that society is a totality that must be changed as a unit." In the first place, society is a ragged, fluid, ever-changing affair. Secondly, any successful unitary coup must result in total repression. Communism and/or Fascism, what is the difference?

▶ THE MORALS OF MARKETS by H. B. Acton (London: Longman Group Limited, 1971) 104 pages, £1.75.

Reviewed by M. L. Zupan

PROFESSOR ACTON has gone a long half way toward providing a moral defense for the competitive market system. For although he does not here offer a positive thesis as such, he effectively demolishes the major historical and prevailing contemporary criticisms of free enterprise.

To accomplish this he relies, not on a detailed analysis of the economic advantages of freedom in transactions – which few deny – but on moral philosophy, in which he is well versed. Most of the criticisms of the market economy have been moral judgments, and the only effective way to deal with them is on their own terms, which Acton has done.

From Plato to the present day there has been a "continuing chorus of disapprobation" of the economic order, with the Eighteenth Century classical liberals' defense of it providing "only a brief interlude." Professor Acton catalogs the major forms the criticism has taken: (1) that the profit motive makes selfishness and greed into virtues; (2) that competition engenders strife whereas cooperation and public service are better ways to carry on men's affairs; (3) that competition leads to monopoly, thus the original freedom is subverted to tyranny; (4) that the goal of production, i.e., satisfaction of needs, is lost sight of in the impersonality of the market place; and (5) that competitive economies are necessarily chaotic and unjust whereas planned societies bring order and fairness.

Acton spends a chapter on each of these accusations, drawing on the actual works of their proponents from Carlyle and Ruskin to Hobson, Tawney and Galbraith. He is not concerned with showing that the virtues of foresight, honesty and reliability fostered by the free market and the practices of exchange, bargaining and competition required for its operation are more worthwhile than the virtues and advantages claimed for socialism – self-sacrifice, co-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

operation, generosity. Rather, he discusses the appropriate spheres of action and shows that the virtues attributed to the two systems are compatible in men's lives.

But socialism contains other elements which are incompatible with the tenets and virtues of the free system. In his excellent chapter on egalitarian collectivism and distributive justice he concludes that any attempt to merge these with a free enterprise system must lead to the imposition of a state morality "from which independent thought and action have been unwittingly excluded."

Along the way we are treated to his sensible approach to some of the opponents' bugaboos, e.g., monopoly and advertising, and his unsympathetic opinion of trade unions, government subsidies to struggling ("publicly needed") industries, and taxation to support public relief (which he believes leads to the view that such services are a right).

Professor Acton does little more than clear the ground for a defense of the free market, but we are given some clues as to how such a defense ought to proceed: competitive markets are not ends in themselves, but are right for society because they "give more scope for intellectual and moral excellence." Thus, he is in line with the Socratic/Aristotelian notion that freedom is good for man not in and of itself, but as the only means by which man might achieve his own excellence.

This is a book which in the midst of the perennial outcries against laissez-faire provides a refreshing and impressive alternative. It is quite readable and, although based on sound philosophy, requires no special knowledge in that or in economics.

▸ PASSING OF THE MODERN AGE by John Lukacs (New York: Harper & Row, 1970), 222 pp., $7.95 cloth, $2.25 paper.

Reviewer: Haven Bradford Gow

PROFESSOR LUKACS examines the era which began four to five hundred years ago, commonly called the *Modern* Age, in contrast with the *Middle* Ages and *Antiquity*. *Decline of the West* was for Oswald Spengler a philosophical speculation, but the sense of an age on the wane is now based on everyday experience. For at the same time that Western man has attained Olympian heights in science, technology and material prosperity, there is, paradoxically, loss of faith in the civilization which has produced these accomplishments.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Among the signs of the erosion of faith, the author discusses the purposelessness of society; the faithlessness of religion; the mutation of morality; the fiction of prosperity; the decay of science; the destruction of nature. Because of the limitations of space, this review focuses on the last three.

By the "decay of science," Professor Lukacs refers to the widespread acceptance of the scientific world view to the exclusion of all others, and to the extension of the methodology of the natural sciences into the humanities and social sciences. He strongly suggests an intimate connection between the decay of science and the destruction of nature. For when the scientific world view and the methodology of the natural sciences are deemed sacred, there are pernicious consequences not only in the epistemological order, but in the real world as well.

The scientific world view emphasizes man in sharp contrast with physical nature. Unlike the wiser view of St. Thomas – the view which holds that while man is distinct from nature because he possesses rationality and a soul, he also has a body and is a part of nature – the scientific world view claims that man exists in total independence from nature, and that man therefore can (with impunity) manipulate and rape nature to suit his desires and needs. The result is the destruction of nature which Lukacs writes about.

Clearly, we have heard from too many "doomsday prophets" regarding environmental decay, but Professor Lukacs is of a different breed. He has a valid point to make and his closely-reasoned analysis explodes several myths. For instance:

> Few people recognize that the destruction of nature has been proceeding fastest in those regions of the earth where the growth of population has been the slowest (in Western Europe and in the urban regions of the United States). . . .

Then there is the paradox of prosperity. The people of the Western world, the author tells us, are better off materially than ever before; but these same people are unhappy, frustrated, discontented. Why?

Mainly, the author contends, because we have been trying to cure a spiritual malaise with political nostrums. For many years our politicians and intellectuals have inundated us with political and economic remedies for conditions which really reflect disorders of the spirit. The planners have mistaken the proximate answer to an economic problem for the ultimate solution for every issue of life. They have led us to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

believe that, if we would just increase economic planning and the GNP and material benefits to those living in the Western world, happiness and peace of mind would surely ensue. But in sober truth, spiritual disorder – confusion as to the meaning and purpose of life – demands a religious solution.

It goes without saying that financial resources are extremely important (we need only to ask the man with heavy medical bills), and such material satisfactions as color television sets, electric toothbrushes, automobiles and expensive cigars are nice to have; but things of this sort cannot adequately minister to the intense demands of the human spirit. Thus, at the end of the Modern Age, we find ourselves in a paradoxical situation: "people are prosperous as never before, [but] immense numbers of them are unhappy and confused. Millions of people are now aware, often painfully, that they do not live by bread alone."

HANDSOME BLUE LEATHERLEX

FREEMAN BINDERS

$2.50 each

ORDER FROM: THE FOUNDATION FOR ECONOMIC EDUCATION
IRVINGTON-ON-HUDSON, NEW YORK 10533

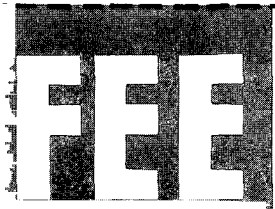
LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Please bring a friend!

Hopefully, you'll have found in these pages some ideas you'd like to share with a friend. Well, on the outside back cover is a handy arrangement for mailing.

But you want to keep your copy, you say?

Fine! We've a few extras of most recent issues. You may have from 1 to 10 copies, at no charge, for this purpose of helping introduce us to your friends. Just tell us how many, and which issue you'd prefer (if we have that one).



THE FOUNDATION FOR ECONOMIC EDUCATION
IRVINGTON-ON-HUDSON, NEW YORK 10533

☐ Please add my name to receive THE FREEMAN, 64-page monthly study journal of free market, private property, limited government ideas and ideals; plus NOTES FROM FEE, a 4-pager devoted to libertarian methods, issued every other month.

☐ Send a resume of FEE's activities, setting forth aims and methods, including a list of Officers and Trustees.

Name _____
(Please print)

Street _____

City _____ State _____

Zip Code _____

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ideas on Liberty

THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

Place 12-cent postage here

FROM

TO: _____

_____

STREET

_____

CITY

_____

STATE ZIP CODE

OCTOBER 1973

Is Escape from the Poverty Trap Possible?	Bertel M. Sparks	579
The American Dream	John E. Nestler	593
Challenges of the Communications Explosion	Philip Lesly	598
Appeal to the Intellect	Leonard E. Read	609
Who Profits from East-West Trade?	Eugene Guccione	612
The Market, or the Welfare State	Paul L. Poirot	621
Capitalism and Morality	Edward Coleson	625
Books:		
The Western Marxists	John Chamberlain	634
Other Books		637

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED